

**“APPROACHES TO CORPORATE SOCIAL RESPONSIBILITY OF  
SELECTED COMPANIES OF AIRCONDITIONING INDUSTRY IN INDIA.”**

*A THESIS SUBMITTED TO*

**THE MAHARAJA SAYAJIRAO UNIVERSITY OF BARODA, VADODARA.**

*TOWARDS PARTIAL FULFILLMENT FOR THE DEGREE OF*

***DOCTOR OF PHILOSOPHY***

*IN*

***MANAGEMENT STUDIES***

*UNDER THE GUIDANCE OF :*

**PROF. (DR.) JAYRAJSINH D. JADEJA**

Professor of Marketing.

FACULTY OF MANAGEMENT STUDIES  
THE MAHARAJA SAYAJIRAO UNIVERSITY OF BARODA, VADODARA.

*BY*

**KEDAR SHUKLA**

**M.S.PATEL INSTITUTE OF MANAGEMENT STUDIES  
FACULTY OF MANAGEMENT STUDIES  
THE MAHARAJA SAYAJIRAO UNIVERSITY OF BARODA,  
VADODARA - 390002.**

**NOVEMBER 2011**

## **DECLARATION**

The present research is an original study and is based on the work carried out by me under the guidance of Prof.(Dr.) Jayrajsinh D. Jadeja, Professor of Marketing, The M.S. University of Baroda, Vadodara.

The present work has neither been published in part or full nor has any degree been awarded to me for it either by this university or by any other university. I hereby also testify that the present work is not based on the work of any other person in fact, to the best of the researcher's knowledge, there has been no publication or work on this topic.

Research Guide

Research Scholar

-----  
Prof.(Dr.) Jayrajsinh Jadeja

-----  
Kedar Shukla.

Professor of Marketing  
M.S.Patel Institute of Management Studies  
Faculty of Management studies  
The M.S.University of Baroda  
Vadodara.

## **PREFACE**

Corporate Social Responsibility (CSR) has been a discussed and debated in management literature and practiced at large by the corporate of the India following the global standards and practices by Indian corporations in their management as an “important strategic concept” since 1990 onwards. CSR and derived concepts like, Corporate Citizenship (CC), Corporate Social Performance (CSP), Business Ethics (BE), Cause Related Marketing (CRM), and Corporate Accountability (CA) etc. have taken a central stage in the modern day’s management practices at least at the global level. However still a series of corporate scandals and scams in India to name a few like Union Carbide Case (Bhopal Gas Tragedy), Satyam, 3G Spectrum corruption, Adarsh Society Scam etc. have been raising debates on the CSR practices followed by the corporate and political world. The existence of the CSR practices in the ‘true sense’ is having a question mark. The thinking behind the adoption of CSR approaches and practices followed by the company and the most importantly needs to be reviewed.

It is a time to check out whether corporations have any ‘CSR Performance Measurement’ (CSP) and their Social Reporting Practices, if yes, needs to be recorded and evaluated.

While researcher’s primary interest for the study of the Corporate Social Responsibility and Approaches followed by the Air-Conditioning Industry of India, It has been chosen mainly due to the fact that ‘Air-conditioning industry’ is directly responsible for the very serious environmental threat of Ozone (O<sub>3</sub>) depletion due to the refrigerant gases used by the industry in the manufacturing and servicing air-conditioning equipments. The other important reasons is the air-conditioning industry is growing at a double digit

growth rate of around 25-30% every year and have been attracting new and global players in India every year however, the fact is , “India is the country where there is a huge gap in the demand and supply of the electricity, and supply is too shorter than the demand, and air-conditioning equipment is the highest energy consuming devices”. Under these conditions, Does Indian Air-conditioning industry companies behave in a socially responsible? What are their CSR approaches for the national and global concerns? Etc. are the core research area of the current research paper.

Research work has been segmented in to the six chapters mainly as follows.

- Chapter- 1** : Introduction Background and Rationale of the Study
- Chapter- 2** : Research Objectives and Research Methodology
- Chapter- 3** : Review of Literature
- Section I** - Social Responsibility of Business: Definitions, Concepts and Approaches.
- Section II** - Social Responsibility of Business: Historical Perspective, Critique and Empirical Research Results.
- Chapter- 4** : Overview of Indian Air-conditioning Industry and CSR Approaches of the Selected Companies of Air-conditioning Industry in India
- Chapter- 5** : Attitude of Selected Air-conditioning Industry Companies of India Towards the Social Responsibility
- Chapter- 6** : Findings, Synthesis, Suggestions and Conclusion

It is hoped that stated objectives of the research work has been achieved in a present research.

Kedar Shukla  
November 2011

## **ACKNOWLEDGEMENT**

It is my privilege to take this opportunity to express my heartfelt thanks to all the people who have directly and indirectly supported and motivated me to complete the thesis.

First of all, let me thank almighty for giving me support and I always realize that he is always there with me. Without his blessings, it was not possible for me to complete the work. How could I forget to express my gratitude to my research guide Prof.(Dr.) Jayrajsinh Jadeja, Professor of Marketing Management, Faculty of Management Studies , The M.S. University of Baroda, Vadodara. His constant motivation and supervision have enabled me to complete this research well in time. He is well known for his innovative and motivating approach in the field of Marketing Management.

I would also like to thank all the faculty members of Faculty of Management Studies, The M.S. University of Baroda, Vadodara and specifically Dean Prof.(Dr.) G. C. Maheshwari for their constant support and help. I am also thankful to the support staff members of the FMS, especially Mr. Mahesh Pandya, Mr. Pragnesh Amin and Mrs. Neeta Shah for helping me in all the administrative activities. I also thank librarians, Mr.Kiran Solanki and Dr. Mayank Trivedi for supporting me with the books and journals required for the study.

I shall forever appreciate motivation and encouragement, received from Rofel Trust and Trustees - Vapi, Governing council and Academic council of GRBS, Directors, my faculty colleagues and non teaching staff of GIDC Rofel Business School (GRBS) - Vapi. I am specifically thankful to Rotary International President Rtn. Kalyan Banerjee, for his visionary leadership in the field of CSR and his guidance to me in my research.

My words are not enough to say thanks to all the colleagues and friends of Heating Ventilation and Airconditioning (HVAC) Industry , to name a few, Mr. Abhay Date and Mr. Yashesh Parekh (ETA), Mr. R.G.Devnani, Mr. Suman Patel, Mr. Shushil Deshpande and Mr. Utkarsh Desai (Blue Star Ltd) , Mr. Sunil Bhatia, Mr.Ketan Jariwala , Mr. Riji Nair (Carrier). Mr. Sarvottam Khamesara Mr. Brahmhatt , Mr. Mahesh Suthar and Mr. Mitesh Modi (Voltas Ltd.) for always providing me the data and information needed for my work.

I am thankful specially to faculty members Ms. Jayshree Tailor, for her Dr.Devang Desai and Dr. Pankaj Patel for their help and support.

I appreciate the blessings and motivation given by my parents Mrs. Minaxi Shukla & Mr. Hemant Shukla and my parents in laws Mrs Anjana Hathi and Mr. Ashok Hathi. I am also specifically thankful to Mr. Bharat Pandya for his all support, motivation and encouragement. I do thank Rajal Shah and all my friends and relatives who were the force of motivation and encouragement for me.

Finally, I value the enduring power of my wife Mrs. Dipali Shukla for pushing - encouraging and supporting me constantly for over four years. Helping me in working late night for completing my work, by single handedly taking care throughout my research work our new born Dhyey and her own job. I am also thankful for her help in editing work of the thesis. Truly without her it would not have been possible to complete thesis. I value her endurance and affection she has shown during my research endeavor.

-----  
**Kedar Shukla**  
**November - 2011.**

## **CONTENTS**

	Page No.
Declaration.....	i
Preface.....	ii
Acknowledgement.....	iv
Contents.....	vi
List of Tables.....	xii
List of Charts.....	xv
List of Diagrams.....	xvi

### **CHAPTER PLAN**

<b>Chapter- 1 : Introduction, Background and Rationale of the Study.....</b>	<b>1</b>
1.1 Prologue.....	2
1.2 Economic Growth Vs. Social Growth in India.....	7
1.3 Global Contemporary Issues – Save Planet.....	11
1.4 Air-conditioning Industry, Energy Consumption and Global Warming.....	13
References.....	17
 <b>Chapter- 2 :Research Objectives and Research Methodology.....</b>	 <b>18</b>
2.1 Prologue and Identification of Research Problem.....	19
2.2 Objectives of the Study .....	21
2.3 Time period of the Study.....	21
2.4 Research Design.....	22
2.4.1 Rational for Sample Selection and Their Brief Introduction.....	22
2.4.2 Universe of the Study and Sample Size Selection.....	25
2.4.3 Research Design, Variables and Scales.....	27
2.4.4 Reliability and Validity.....	32
2.4.5 Sources of Data collection.....	34
2.4.6 Data Analysis Plan.....	35
2.5 Implications of the Study .....	39

2.6 Limitations of the Study .....	40
References.....	41
<b>Chapter- 3 : Review of Literature.....</b>	<b>42</b>
<b>Section - I :Social Responsibility of Business : Definitions, Concepts and Approaches.....</b>	<b>44</b>
3.1 Prologue.....	44
3.2 Social Responsibility Definitions.....	47
3.2.1 Definitions From Academicians and Researchers.....	48
3.2.2 CSR as Understood by Business and Political Leaders.....	51
3.3 Social Responsibility of Business and Related Concepts.....	53
3.3.1 Social Responsiveness.....	54
3.3.2 Business Ethics .....	54
3.3.3 Corporate Social Performance.....	55
3.3.4 Corporate Accountability.....	56
3.3.5 Corporate Citizenship.....	56
3.3.6 Corporate Conscience.....	57
3.3.7 Social Issue.....	58
3.3.8 Social Competition.....	58
3.3.9 Stake Holder.....	58
3.3.10 Social Responsibility and TBLR.....	58
3.3.11 Managerial and Legal Responsibility.....	59
3.3.12 Corporate Culture.....	60
3.4 Emerging Dimensions and Concepts of Social Responsibility.....	61
3.4.1 Global Corporate Citizenship.....	61
3.4.2 Corporate Social Irresponsibility.....	61
3.4.3 Sustainable Development.....	63
3.4.4 Cause Related Marketing.....	64
3.5 Approaches to Social Responsibility.....	65
3.5.1 Classical approach.....	65
3.5.2 Accountability approach.....	66
3.5.3 Public approach.....	67
3.5.4 Trusteeship Approach.....	68
3.6 CSR and Business Strategy linkage theories.....	70
3.6.1 Institutional Theory.....	70



3.6.2	Theory of Firms.....	70
3.6.3	Stewardship Theory.....	73
3.7	Conceptual Strategic Models in CSR Literature.....	73
3.7.1	Pyramid Metaphor of CSR.....	73
3.7.2	Economic Profit or Intrinsic Profit Model.....	74
3.7.3	Ethical, Altruistic and Strategic CSR Model.....	75
3.7.4	Five Forces model as CSR drivers.....	77
3.7.5	PPP Model for Development.....	79

## **Section - II :Social Responsibility Of Business : Historical Perspective;**

	<b>Critique and Empirical Research Results.....</b>	<b>81</b>
3.8	Prologue.....	81
3.9	Social Responsibility of Business : An Indian historical perspective.....	82
3.10	Social Responsibility of Business : A Critique.....	86
3.10.1	Arguments for CSR.....	88
3.10.2	Arguments Against CSR.....	90
3.11	CSR and Empirical Research Results.....	92
3.11.1	Research relating to CSR and Marketing Functions.....	92
3.11.2	Research relating to CSR and Human Resource Functions.....	98
3.11.3	Family Business and CSR.....	100
3.11.4	Corporate Governance HRM and CSR.....	102
3.11.5	Research relating to CSR and Economic Performance.....	104
3.11.6	Social Reporting.....	106
3.11.7	CSR Implementation on Strategic Decision Making.....	109
3.11.8	CSR Impact Assessment, Implementation and Approaches Studies.....	112
3.12	CSR and It's Linkage with Functional Areas of Business.....	115
3.13	CSR as a Strategic Marketing and Branding Tool.....	119
3.14	Government Role and Regulation in Social Responsibility.....	120
3.14.1	Drivers and Constraints for Government Intervention in CSR.....	121
3.14.2	Government of Gujarat as a Promoter of CSR.....	123
3.15	Conclusion.....	125
	References.....	128

## **Chapter- 4: Overview of Indian Air-conditioning Industry and CSR Approaches**

	<b>Of the Selected Companies of Air-conditioning Industry.....</b>	<b>138</b>
--	--	------------

4.1 Introduction of Air-Conditioning Industry.....	139
4.1.1 Historic Perspective of Air-conditioning Industry.....	140
4.1.2 Air-conditioning Industry in India .....	140
4.1.3 Air-Conditioning Industry Terminology .....	141
4.1.4 Air-Conditioning Industry Product Mix.....	142
4.1.5 Market Size and Segment Analysis.....	143
4.1.6 Competition Analysis Based on Product Segmentation .....	144
4.2 Introduction of the Selected Air-conditioning Industry Companies of India .....	146
4.2.1 Introduction of M/s Blue Star Ltd.....	147
4.2.2 Introduction of M/s Voltas Ltd.....	149
4.2.3 Introduction of M/s Carrier Aircon India Pvt. Ltd.....	150
4.2.4 Introduction of M/s ETA Engg. India Pvt. Ltd.....	152
4.3 Study of CSR Activities and Approaches of the Selected Companies.....	154
4.3.1 Study of CSR Approaches of M/s Blue Star Ltd .....	156
4.3.2 Study of CSR Approaches of M/s Voltas Ltd.....	173
4.3.3 Study of CSR Approaches of M/s Carrier Aircon India Pvt Ltd.....	186
4.3.4 Study of CSR Approaches of M/s ETA Engg. India Pvt Ltd.....	210
4.4 Synthesis of CSR Approaches of Selected Companies – Diagrammatic View...	218
4.5 Conclusion.....	222
References.....	223

**Chapter- 5 : Attitude Towards the Social Responsibility of Selected Air-conditioning Industry Companies of India..... 227**

5.1 Prologue.....	228
5.2 Profile of Respondents .....	229
5.3 Desirability of Social Responsibility.....	233
5.4 Reasons for Undertaking Social Responsibility.....	236
5.5 Reasons for Not Embracing Social Responsibility Activities .....	238
5.6 Corporate Philosophy and Social Responsibility.....	238
5.7 Attitude of the Companies Towards the Various Publics.....	248
5.8 Existence of Corporate Policy Towards Social Responsibility.....	249
5.9 Frequency of Social Responsibility Programmes Undertaken by the Companies for the Betterment of the Society.....	253
5.10 Responsibility for Implementation of Social Responsibility Programmes	256

5.11	Consumer's Grievance Management.....	260
5.12	Perceived Need of Consumers Association.....	264
5.13	Agreement Towards Consumers Association Attributes.....	266
5.14	Responsibility Towards Employees.....	268
5.15	Attitude Towards Employee Rights.....	270
5.16	Interaction with Employee on Non-work Platform.....	272
5.17	Methods of Interaction with Employees on non-work Plat Form.....	274
5.18	Responsibilities Towards Share Holders .....	276
5.19	Frequency of Extent of Fulfillment of Social Responsibility Activities...	279
5.20	Government's Attitude Towards Social Responsibility of the Companies	282
5.21	Ethics in Business.....	284
5.22	Hurdles in Discharging Social Responsibility.....	287
5.23	Unethical Practices Adopted by the Companies.....	290
5.24	Executives Perception About Code of Conduct.....	292
5.25	Effective Body for the Implementation of Code.....	294
5.26	Attitude Towards Formulation of Ethical Code.....	296
5.27	Existence of Social Audit System. ....	298
5.28	Conclusion.....	300
	References.....	302

## **Chapter- 6 : Findings, Synthesis, Suggestions and Conclusion..... 303**

6.1	Prologue.....	304
6.2	Synthesis.....	305
6.2.1	Rationale.....	307
6.2.2	Dimensions.....	307
6.2.3	Critique.....	308
6.3	Summary of Commonalities and Differences of CSR Activities and Approaches Among the Selected Companies.....	316
6.4	Major Factors Affecting In Commonality of Adopting CSR area for HVAC..... Industry Companies.	321
6.5	Concerns for CSR Vs. Profit Matrix for HVAC Industry Companies.....	324
6.6	Suggestions.....	329
6.7	Scope of Future Research.....	333

## **APPENDICES**

Appendix- I	Copy of Questionnaire.....	336
Appendix- II	SPSS output Cronbach Alpha, Calculation with Respect to Calculative Behavior.....	351
Appendix- III	SPSS output Cronbach Alpha, Calculation With respect to. Socially Responsible Behavior.....	353
Appendix- IV	SPSS output Cronbach Alpha, Calculation with Respect to Profit Maximizing Behavior.....	355
Appendix- V	T-test , Comparison of Different Behavior Concerning SR.for – BSL.....	357
Appendix- VI	T-test , Comparison of Different Behavior Concerning SR. - for Voltas	360
Appendix- VII	T-test , Comparison of Different Behavior Concerning SR. - for Carrier .	363
Appendix- VIII	T-test , Comparison of Different Behavior Concerning SR. - for ETA...	366
Appendix- IX	T-test , for Inter Company Comparison of Various SR Activities for Community.....	369
Appendix- X	T-test , Intercompany Activities towards Share Holders.....	372
Appendix- XI	T-test , for Inter Company Comparison of Various Legal and Ethical SR Activities.....	375
Appendix- XII	T-test , for Inter Company Comparison of belief Regarding Code of Conduct.....	378
Appendix- XIII	Corporate Purpose – Blue Star Ltd.....	381
Appendix- XIV	Guiding Values and Beliefs – Blue Star Ltd.....	382
Appendix- XV	Corporate Safety Policy – Blue Star Ltd.....	383
Appendix- XVI	‘TATA’ Code of Conduct – Voltas Ltd.....	384
Appendix- XVII	‘Voltas Environment Policy’ .....	391
Appendix- XVIII	UTC / Carrier – Code of Conduct – Carrier.....	392
Appendix- XIX	Dealer ship Management – Policy – Carrier.....	393
Appendix- XX	ETA, Corporate Purpose.....	394
Appendix- XXI	UTC/Carrier Sustainability Goals and Progress Highlights.....	395
Appendix- XXII	UTC/Carrier Sustainability Awards.....	401
<b>GLOSSARY OF TERMS AND ABRIVIATIONS.....</b>		<b>402</b>
<b>BIBLIOGRAPHY.....</b>		<b>405</b>

<b>List of Tables</b>		
<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
1.1	Letter from Director	6
1.2	Health of the Society in India	9
1.3	Refrigerant Chemistry	14
1.4	Refrigerant Comparison	14
1.5	Hazardous Refrigerant (R12 & R22) Phase out Plans	15
2.1	Refrigerant Comparison	20
2.2	Research Time Plan and Schedule	22
2.3	Sample Size Selection	26
2.4	Detailed Plan of Study of CSR Approaches of Selected Companies.	28
2.5	Detailed Out Line of the Data to be Obtained from the Questionnaire	30
2.6	Cronbach Alpha Values	33
2.7	Sources of Primary Data Collection	35
2.8	Measuring Companies Executives Perception and Attitude Regarding CSR Approaches .	36,37,38
3.1	CSR Benefits, Social Investment Drivers	88
4.1	Product Segmentation of HVAC industry	142
4.2	Outline Plan of Research Plan for CSR Approaches Study	155
4.3	Financial Snap – Shot - Blue Star Ltd.	158
4.4	Karmyog CSR –Ratings – Blue Star Ltd.	171
4.5	Summary of CSR Approaches of Blue Star Ltd.	172
4.6	Financial Snap – Shot – Voltas Ltd	176
4.7	Karmyog CSR –Ratings – Voltas Ltd.	184
4.8	Summary of CSR Approaches of Voltas Ltd.	185
4.9	Financial Snap-Shot Carrier	189
4.10	CSR Reporting – Employee Relations – Carrier	194
4.11	CSR Reporting – EHS – Carrier	196

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
4.12	CSR Reporting – Environmental Initiatives –Carrier	204
4.13	UTC- CSR Reporting Snap-Shot	207
4.14	Summary of CSR Approaches of Carrier.	209
4.15	Summary of CSR Approaches of ETA.	217
5.1	Profile of Respondents	232,233
5.2	Desirability of Social Responsibility	234
5.3	Reasons for Undertaking Social Responsibility	237
5.4	Rating of Profit Maximization, Calculative and Socially Responsible Behavior.	241
5.4 A	Mean scores of the Data in Table 5.4	242
5.5	Inter Company Comparison of Behaviors - T test	243
5.6	Attitude Towards the CSR , With Respect to Various Variables Used in the Scale	245
5.7	Perception of Executives Towards Relative Importance of the CSR Towards the Various Publics	249
5.8	Perception of the Executives Towards the Existence of Social Responsibility Policy in Their Company	250
5.9	Frequency of Performance of Various Social Responsibility Activities by the Company	254
5.10	Two Tailed T-test for the Inter Company Comparison Revenues from Passengers	255
5.11	Perception of Executives Regarding CSR Head Responsible in Their Organization.	257
5.12	Perception of Executives Regarding Consumers' Grievance Management in Their Organization	261
5.13	Perception of Executives Regarding Desirability of Consumers' Grievance Management in the Organization	265
5.14	Perception of Executives Regarding Desirability of Consumers' Association in the Organization	267
5.15	Perception of Executives Regarding Intrinsic CSR Towards the Employees.	269
5.16	Perception of Executives Regarding Employee Rights	271
5.17	Perception of Executives About the Non-work Platform Interaction	273
5.18	Perception of Executives About the Mode of Interaction on Non-work Platform	275

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
5.19	Frequency at Which Shareholders' Demands are Being Fulfilled by the Organization	277
5.20	Inter Company Comparison of the Data of Table 5.19 Using T-test	278
5.21	Perception of Executives Regarding Companies Fulfillment of Legal Responsibilities	281
5.22	Inter Company Comparison of the Data of the Table 5.21 Using T-test	282
5.23	Perception About Government Attitude Towards the Companies CSR	283
5.24	Perception of Executives Regarding Ethical Values of the Organization	286
5.25	Perception regarding hurdles in the discharging social responsibility	289
5.26	Executives Perception Regarding Unethical Practices Prevailing in the Organization and Industry Which They Would Like to Get Eliminated	291
5.27	Executives Perception About Code of Conduct	293
5.28	Inter Company Comparison of the Belief of Code of Conduct Using T-test	294
5.29	Perception Regarding Enforcement Agency of Code of Conduct in the Industry	295
5.30	Executives Perception About Need of Code of Conduct in the Industry	297
5.31	Executives Perception regarding Existence of the Social Responsibility Policy in the Organization.	299
6.1	Commonalities of BSL with Other Companies in CSR Perception	317
6.2	Differences of BSL with Other Companies in CSR Perception	318
6.3	Commonalities and Differences of Voltas with Carrier and ETA in CSR Perception	319
6.4	Commonalities and Differences of Carrier with ETA in CSR Perception.	320
6.5	Concerns for CSR Vs. Profit Matrix for HVAC Industry Companies	325

<b>List of Charts</b>		
<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
1 A	Desirability of Social Responsibility – Desirable	235
1 B	Desirability of Social Responsibility – Very much Desirable	235
2 A	BSL Executive’s Perception Regarding Existence of CSR in the organization	251
2 B	Voltas Executive’s Perception Regarding Existence of CSR in the organization	251
2 C	Carrier Executive’s Perception Regarding Existence of CSR in the organization	252
2 D	ETA Executive’s Perception Regarding Existence of CSR in the organization	252
3 A	BSL Executive’s Perception About Functional Head of CSR	258
3 B	Voltas Executive’s Perception About Functional Head of CSR	258
3 C	Carrier Executive’s Perception About Functional Head of CSR	259
3 D	ETA Executive’s Perception About Functional Head of CSR	259
4 A	BSL Executive’s Perception About Grievance Management	262
4 B	Voltas Executive’s Perception About Grievance Management	262
4 C	Carrier Executives Perception About Grievance Management	263
4 D	ETA Executive’s Perception About Grievance Management	263
5	Executive’s Perception About Desirability of Consumers’ Association	265
6	Executive’s Perception Regarding Employee’s Rights.	272
7	Executive’s Perception Regarding Interaction on Non-Work Platform	274
8	Modes of Informal Interaction with Employees.	276
9	Perception About Government’s Reaction to Company’s CSR.	284
10	Perception About Ethical Behavior of the Organization.	287
11	Perception Regarding Enforcement Agency for Code of Conduct	296
12	Perception Regarding Having Code of Conduct for the Industry	298
13	Perception Regarding Having Social Reporting System in the Organization.	299



<b>List of Diagrams</b>		
<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
2.1	Pictorial view of Research Design	31
3.1	Pyramid Metaphor of CSR	74
3.2	Ethical, Altruistic and Strategic CSR Model	77
3.3	Five Forces Model of CSR Drives	79
3.4	3D Model : Approaches Study by Prof.(Dr.) J.D.Jadeja (1992)	114
3.5	CSR and It's Linkage with Functional Areas.	116
3.6	Inclusive Approach Between CSR Strategies and Marketing Strategies	120
3.7	Role of Government in CSR , Fox, Ward, Howard Model	122
4.1	Overall Market size and of the Air-Conditioning Industry in India	143
4.2	Competitor's Analysis for RAC Market in India	145
4.3	Growth Rate Trend of RAC Market in India	145
4.4	Growth Rate Tread of PAC Market in India	146
4.5	Business Unit Vise Revenue – UTC	150
4.6	Summary of CSR Approaches of the Companies.	221
6.1	Major Forces In Affecting for Adoption of Environment Care as Commonality of CSR Area.	322

# **Chapter 1**

## **Introduction Background And Rationale Of The Study**

### **Contents**

- 1.1 Prologue
  - 1.2 Economic Growth Vs. Social Growth in India
  - 1.3 Global Contemporary Issues – Save Planet.
  - 1.4 Air-conditioning Industry, Energy Consumption and Global Warming
-

## **Chapter 1**

### **Introduction Background And Rationale Of The Study**

#### **1.1 Prologue**

News channels and news papers of India were full of the 2G-Spectrum scam, one of the largest ever corruption case. It turned out as a black day for Indian politics and corporate world when A.Raja, Communication and I.T. minister was forced to resign on 14<sup>th</sup> November 2010 Sunday. A case of moral bankruptcy of a politicians and corporate leaders.

The 2G spectrum scam in India involved the issue of 122 licenses by the ruling Congress-led UPA alliance of the 2G spectrum to 85 companies including many new telecom companies with little or no experience in the telecom sector at a price set in the year 2001.

The scam involved allegations regarding

- The under pricing of the 2G spectrum by the Department of Telecommunications which resulted in to a heavy loss to the Government of India, and
- The illegal manipulation of the spectrum allocation process to favor select companies

The issue came to light after the auction of airwaves for 3G services which amounted to Rs. 67,719 crore (US\$15.1 billion) to the Government. A report submitted by the Comptroller and Auditor General based on the money collected from 3G licenses estimated that the loss to the Central Government due to under pricing of the 2G

spectrum was of Rs. 176,379 crore (US\$39.33 billion)

The scam came to public notice when the Supreme Court of India took Mr. Subramaniam Swamy's complaints on record

### **Politicians, Ministers and Parliamentarians Involved**

- Andimuthu Raja, Union Cabinet Minister for Communications and Information Technology. The Comptroller and Auditor General holds A.Raja personally responsible for the sale of 2G spectrum at 2001 rates in 2008, resulting in the previously mentioned loss of up to Rs. 1.76 lakh crores (US\$40 billion) to the national exchequer.
- Kanimozhi Aravindhan, Member of Rajya Sabha. On April 25, 2011 Kanimozhi was named as a co-conspirator in the supplementary charge sheet filed by the Central Bureau of Investigation (CBI) in connection with the 2G spectrum case. The charge sheet submitted before the Supreme Court establishes how Rs 200 crore connected with the scam traveled from a partnership firm of businessman Shahid Balwa of Swan Telecom to the Karunanidhi family-owned Kalaingar TV. She has been charged with section 7 and 11 of the Prevention of Corruption Act. The sections deal with acceptance of alleged gratification.

### **Bureaucrats involved**

- Siddhartha Behura, Civil Servant (IAS officer of 1973 batch UP cadre). He was the Telecom secretary who served in the DOT at the time of the 2G allocation.
- Pradip Baijal, Civil Servant (IAS officer of 1966 batch MP cadre). He is alleged to have recommended policies that favored certain Telecom companies when he

was heading the TRAI.

- R K Chandolia, Civil Servant (IES officer of 1984 batch cadre). He was private secretary of Raja

### **Corporations involved**

Allianz Infra, Aircel , Dishnet Wireless, Loop Mobile , Sistema Shyam Mobile (MTS) – Sistema Mobile Russia ,Reliance Communications ,S Tel, Swan Telecom, Tata Tele Services, Unitech Group, Videocon Telecommunications Limited , Vodafone Essar, Virgin Mobile India

### **Corporate personalities involved**

Anil Ambani - Reliance Group (ADAG), Ratan Tata , Shahid Balwa - DB Realty and Etisalat DB Telecom(formerly Swan Telecom) , Vinod Goenka - Dynamix Group , Venugopal Dhoot - Videocon Group Prashant Ruia - Essar Group

All of them have either been questioned by the CBI or are prospective suspects in the scam.

### **Media persons and lobbyists involved**

Nira Radia, a former airline entrepreneur turned corporate lobbyist whose conversations with politicians and corporate entities were recorded by the government authorities. The contents were later leaked by unknown parties creating the Nira Radia tapes controversy

### **Petitioners to 2G scam :**

Subramaniam Swamy, activist lawyer and politician, whose letters to the Prime Minister demanding action and affidavits and cases in the Supreme Court brought the issue into the public limelight. Paranjoy Guha Thakurta, a journalist , And other eminent personalities, media etc.

On April 2, 2011, the CBI filed its first 80,000 page charge sheet in the 2G spectrum scam before a Special Court in Delhi naming nine individuals and three companies. It said the wrongful acts of the accused deprived the government exchequer of possible revenues amounting to INR Rs 30,985 crore (USD \$ 6,983,322,233). The accused include the following political and business leaders. :

Andimuthu Raja, former Telecom minister , Siddharth Behura, former Telecom Secretary ,R.K. Choda, Raja's former personal secretary , Shahid Usman Balwa, former Director of Swan Telecom (now Etisalat DB), Sanjay Chandra, Managing Director of Unitech Ltd and Unitech Wireless , Gautam Doshi, Group MD, Reliance Anil Dhirubhai Ambani Group , Hari Nair, Senior Vice-President, Reliance Anil Dhirubhai Ambani Group , Surendra Pipara, Senior Vice-President, Reliance Anil Dhirubhai Ambani Group and Reliance Telecom Ltd , Vinod Goenka, Director, Swan Telecom and Managing Director of DB Realty , The three companies named are:

Swan Telecom, Unitech Wireless , Reliance Telecom. In the first charge sheet, the CBI had named lobbyist Niira Radia and 124 others as witnesses.

For its part, the Congress-party led government has publicly defended itself that government's decision not to auction 2G spectrum as being in line with the policy guidelines laid down by the 10th Five-Year Plan.(1)

Before stock market and investors of India revive from the shock of corporate fraud case of 'Satyam' to 'Maytas', in 2009 when a leading IT hub Satyam was in bankruptcy due to the series of fraud conducted by its promoter Ramlinga Raju, 2G spectrum case occurred and the integrality and trustworthiness of the corporate world has come a stake . 'Satyam' the strong brand, was respected by its customers and was

attractive to very high quality talent went bankrupt due to its promoters fraud. The sad part of the case is that the independent directors on the board were people with top credentials and the auditors were one of the top four names in the business. Independent Director of Satyam, **Goswami O .(2008)** Reports in his letter and article as follows.

**Table – 1.1 (Letter from Director)**

*First , Mr. Ramalinga Raju and trusts, owning just 8.74 per cent of the company's equity, proposed to transfer \$1.6 billion of Satyam's cash to Maytas and Maytas Infrastructure, where their family owns 36.6 per cent of equity. This is nothing other than a huge related-party transaction — one they should not have proposed at all. Mr. Raju and trust broke something far more important: the fiduciary responsibility that the board ought to have had for its shareholders.*

*Second, They didn't ask the opinion of foreign institutional investors, Indian Investors , Indian mutual funds, insurance companies, banks and financial institutions who together held 61.2 per cent of the stock, or seven times the equity that promoter and family was owing.*

*Third,, The deal was so good for Satyam to a point where one of ex-civil service directors said “Even your uncle will not sell you the land at the price Maytas was selling it to Satyam”, why did you do an about turn in less than 24 hours, and then talk of a proposed buyback and higher dividends?*

*Fourth, Mr.Raju's management, spokespersons and some directors have said ruinously contradictory things. One instance is illustrative enough. It was claimed that one of the big four accounting firms did the valuation of Maytas' assets.*

*Fifth, and probably the most damaging, is the latest news of the World Bank debarring Satyam from doing business with it for eight years on account of “alleged malpractices” and “providing improper benefits to Bank staff” — a ban that has been confirmed by the World Bank's spokesperson in New Delhi. You must have known of the bank's reasons for the ban. Was the board fully informed of it? I mean fully.*

*(Source : “Business world” Issue 30 Dec 08-05 Jan 09)*

Moral bankruptcy cases of 2G Spectrum, Satyam , Lehman Brothers etc. of the present day corporate world , are some of the example of more visible cases. These cases directly leads to some important questions (1) Does measuring accounting efficiencies or financial performance are the correct way of measuring the companies performance ? (2) Does only legal controls or the current control systems are adequate ? (3) Does corporate world lack Corporate Governance (CG) and Corporate Social responsibility (CSR) towards their stake holders ?” (2)

### **1.2 Economic Growth Vs. Social Growth In India**

While in the first case we have tried to understand the need of socially responsible behavior of the corporate and the need of the strong governance, If we look at the another dimension of the India’s performance as a country on the other social developments other than the GDP growth (Refer : Table -1.2 below) the most alerting input is the Human Development Index (HDI) results for the country. Mukharjee, N. (2009). ‘A partial Eclipse , the growth paradox’ highlight the fact, inspite of consistently reported GDP growth over 8 to 9 percentage for the last four years for the country, India has fallen in crucial Human Development Index ( HDI , 2008) from 127<sup>th</sup> to 132<sup>nd</sup> which is far below economically backward Equatorial Guinea and Solomon Island. Negligible per capita income growth is a major concern for the country. While one class of the country is growing and going for richer lifestyles, there are millions still below poverty line, which means income disparities are consistently increasing and society is not growing healthy along with GDP growth. (2)



On the one hand, the cases like, 2G Spectrum scam, M/s Satyam scam, has emerged questions on the faith and corporate governance of the corporate world, on the other hand very low Human Development Index (HDI) rating, country's perception as highly corrupt country and slowly growing infrastructure development has raised questions on our "India Shining" growth story. Can we grow our GDP or Financial Indexes at whatever social cost? How sensitive and responsible the Corporate world is towards the Stake holder's and society's trust in them? Or towards their problems arising either due to the industrial growth or associated outcomes like urbanization , over utilization of natural resources , electricity , income disparities etc ?

**Table-1.2 (Health of the Society in India)**

<b>Sr No</b>	<b>Type of Index</b>	<b>India's Position</b>	<b>Remarks</b>
1	Human Development Report (United Nations) – 2008	132	From 127 <sup>th</sup> in 2004 has slipped to 132, scoring below Guinea and Solomon Islands.
2	UNICEF State of the world children report 2009 , Infant mortality rate	57/1000	Improved from 67/1000 in 2004 but India trails very much
3	Global Hunger Report ( IFPRI) 2009	66	India's rank is below Bangladesh.
4	Doing Business Report – IFC/World Bank Report. 2009	122	The most difficult country to enforce contracts, it trails below Bangladesh and Nepal
5	Global Competitiveness Report – World Economic Forum Report – 2009	50	With it's inadequate infrastructure, inefficient bureaucracy and labor laws, position of India is in no match with China.
6	Global corruption perception Index 2008	85	India's rank has fallen from 72 (2004) to 85, well below China, with which it was at par till last year.
7	UNIDO Report – 2009	54	Down by 3 Nos (51 to 54) from 2000. Trails 28 positions from China on the Industrial Performance Index.
8	Index of Economic Freedom 2009	123	Rank has been trailing on this account.
9	Education Infrastructure.	NA	3-4 % of the proportion of India's GDP spent on education, which is far less than countries like Namibia and Bolivia.
10	Travel Tourism and Corporate Governance .	62	India falls from many under developed countries on this account.

**(Source : “A Partial Eclipse” India Today : April 6 2009)**

Both the above discussions leads to an important dimension that is corporate social responsibility (CSR). While Corporate Governance (CG) emphasizes the letter of the law, CSR requires an organization to broaden its focus, from shareholders to stakeholders. CSR pushes a company to redefine relationships with the employees, customers, non-governmental agencies and others. **(3)**

**Parekh Deepak. (2009)** – Chairman HDFC Bank Ltd, reports in his article “Integrated approach to social responsibility” that “There are two faces of India, both starkly different, yet seamlessly integrated. The first side is emblematic of a high-growth economy, rising entrepreneurial spirit and a confident corporate sector marking its global footprints. In contrast, the other India ranks embarrassingly low on the Human Development Index, with primary education and healthcare eluding millions. Fortunately, there is recognition that bridging this divide requires integrated solutions with shared responsibilities between the government, civil societies and businesses.

Globalization has encouraged many Indian corporate to embrace Global Reporting Initiative Sustainability Reporting Guidelines. This conveys a company’s economic, environmental and social performance to all stakeholders. Increased corporate philanthropy is no doubt an outcome of the extraordinary wealth creation in recent years. There are always questions of whether economic downturns impact CSR initiatives. But increasingly, corporate are imbibing CSR initiatives as long-term commitments, which go beyond mere cheque writing obligations and focus on direct involvement with communities.” (4)

Consistent growth rate of corporate world and trust of the people in the corporate function in spite of scams indicates that along with the Government, Corporate world is also turning out a strong power, which can really help the government in overcoming social issues. Besides the economical power the Corporate does have ‘Corporate Leaderships’ and managerial resources. It is undoubted fact that corporate will have to partner with the Government to overcome social issues and concerns to remove the income and growth disparities which society have.

### **1.3 Global and Contemporary Issues : SAVE PLANET**

Industrialization damages environment, factories are responsible for air pollution, industrial waste generation and in turn also affect the society directly. These add the third important dimension to the concerns of the society is, To save the planet by environment prevention.

**Thomas L. Friedman (2006)** in his book “**Hot, Flat and Crowded**” reports that – “The broad scientific understanding today is that our planet is experiencing a warming trend – over an above natural and normal variations, this is certainly due to human activities with large scale manufacturing. The process began in the late 1700 from the inception of industrial revolution. The industrial revolution was at heart a revolution in the use of energy and power. Since the industrial revolution, all the energy functions have been powered primarily, but not exclusively by fossil fuels that emit carbon dioxide (CO<sub>2</sub>). Industrial revolution gave a new prominence of ‘fuels from hell’, like coal, oil and natural gas which come from underground are exhaustible and emit huge CO<sub>2</sub>. These fuels are in contrast with others ‘fuels from heaven’ like wind, hydroelectric, tidal, biomass and solar power. These all comes from the ground and are renewable and produces no harmful emissions.

In the beginning of the second half of the 20<sup>th</sup> century, a scientific understanding began to emerge that an excessive accumulation of largely invisible pollutants – called green house gases had been underway since the start of the industrial revolution. These green house gases, primarily Carbon dioxide emitted from the human industrial, residential and transportation sources, were not piling up along the roadsides or in rivers but rather our earth’s head in the atmosphere. If the earth’s atmosphere was like a blanket that

helped to regulate the plane's temperature, the CO<sub>2</sub> build up was having the effect of thickening that blanket and making the globe warmer. We don't only throw CO<sub>2</sub> but did throw up gases like methane (CH<sub>4</sub>) released from rice farming, coal mining, animal defection etc on the earth surface.

**Relation between green houses gas emission and Global Warming :**

“The green house effect keeps the earth warm and habitable; without it, the earth's surface would be about 60degrees Fahrenheit colder on average. Since the average temperature of the earth is about 45 degrees Fahrenheit, the natural greenhouse effect is clearly a good thing. But the enhanced green house effect means even more of the sun's heat is trapped, causing global temperature to rise. Among the many scientific studies providing clear evidence that an enhanced green house effect is under way. (NASA's 2005 report) Scientist concluded that, more energy is being absorbed from the sun than is emitted back to space, throwing the earth's energy out of balance and warming the globe.” In 2007, the CO<sub>2</sub> level in the atmosphere stood at 384 parts per million (PPM) by volume and appeared to be climbing at a rate of 2 PPM a year. The general agreement among the climate experts is that the earth has already warmed on average 0.8 degrees Celsius (1.44 degrees Fahrenheit ) above it's level in 1750, with most rapid rise occurring since 1970.

“ Our body temperature is normally 98.6 degrees Fahrenheit and when it goes up just a few degrees up to 103 Fahrenheit, it's a big deal , same way it's true with changes in the global average surface temperature also.”

Friedman also co-related the global warming, global flattening and global crowding. According to him they are driving those five problems, - energy supply and demand, petro dictatorship, climate change, and energy poverty and biodiversity loss.

The fact about the CSR practices and literature is, there is no globally accepted standard of CSR. Practices vary widely; however, broad patterns are visible. Some parts of the world CSR is a strategic philanthropy, involving community support programmes designed to increase business and profit and somewhere CSR also goes beyond financial support to respecting social norms which are not necessarily legislated, such as respect for environment. In respecting these social norms, philanthropy may or may not be required, therefore looking towards the same it's indeed important to have relook at CSR philosophy and practices of the Indian corporate world and operating companies and as a matter of fact in the present research some efforts have been made in this area by understanding the CSR philosophy and efforts of a selected companies of an air-conditioning industry . (5)

#### **1.4 Air-conditioning Industry, Energy Consumption and Global Warming**

One of the most important reason for selecting the Air-conditioning industry (widely known as, Heating , Ventilation , Air-conditioning, (HVAC)industry , HVAC hereafter) for the study purpose is the 'Extreme close scientific linkage among the Air-conditioning Industry , Global Warming as well as Energy consumption'.

In India along with the national economic growth the HVAC industry has reported over 25% consistent growth in the last four years and has set a new benchmark of being Rs. 15,000 crore industry ( Financial Report : Blue Star Ltd,2010). While HVAC industry is

promising high growth rate in the hot climate, it is also criticized a lot across the globe due to its direct connectivity to certain global and contemporary social issues. (6)

Refrigerant gas which is being used in the air-conditioners or air-conditioning devices as well as cold chain like refrigerators, deep freezers etc. are found to be the most important reason for the global warming. It used to carry a very high global warming potential (GWP). The rate of GWP of various refrigerant gas which are used at present by the industry in the various parts of the world are given in Table -1.3, Table 1.4 and Table 1.5 (7)

**Table 1.3 (Refrigerant Chemistry)**

**Refrigerant Chemistry**

**CFC : Chlorofluorocarbon**  
**HCFC : Hydro-chlorofluorocarbon**  
**HFC : Hydro fluorocarbon (Considered as Green Refrigerant or Environment friendly, due to “0” ODP and low GWP values.**

**Table 1.4 - Refrigerant Comparison**

<b>Refrigerant</b>	<b>R12</b>	<b>R22</b>	<b>R410A</b>
Ozone Depletion Potential (ODP)	1	0.55	<b>0</b>
Global Warming Potential (GWP)	8500	1700	<b>1975</b>
Type	CFC	HCFC	HFC
Developed	1931	1936	1991
Approx cost / kg at present	Rs. 300	Rs. 400	Rs. 650

Source : IPCC report : 2001.(7)

**Table 1.5 Hazardous Refrigerant (R12 & R22) phase out plans.**

**Hazardous Refrigerant (R12 & R22) phase out plans.**

Final global phase out scheduled by 2020.

Previously mandated reductions were 65% of the 1989 production level by 2010.

India, China, Mexico will move up their R-22 equipment phase out by 10 years.

Source : The News , October, 2007. (8)

Besides the above fact about the industry it was researchers own experience that many unfair business practices prevails in the Air-conditioning industry, few of them are like, paying unfair way to the influencers like architects or consultant , or purchase manager , criticizing competitors, pulling dealers or manpower from the competition etc. Therefore it is indeed needed to understand the awareness about the social responsibility among the management of HVAC industry companies. It would also found interesting to know about the CSR approaches and areas of discharging the social responsibilities by the HVAC industry companies.

Couple of important critical areas and threats society can face directly due to the socially, irr-responsible behavior of the HVAC industry players are mainly like,

**(1) Usage of Non-environmental friendly CFC & HCFC Refrigerants.**

During the preliminary literature review it is found that the fundamental and the most important ethical issue in the Industry is the usage of CFC and HCFC refrigerants, thus the industry is mainly responsible for the global warming and ozone depletion.



## **(2) Competitive rivalry within the Industry and unfair business practices**

Too many players in the Industry in to the various segments have lead to extreme competitive rivalry within industry. This has resulted in to the unfair business practice, like taking favor through bribing, supporting influencers, entertaining sales teams and dealers in clubs and bars, pulling people and dealers from the competition etc.

The other concerns which needs responsible attention from the industry are, like intrinsic CSR areas such as stake holder's relations, employee satisfaction index, and employee welfare activities , dealer/ channel satisfaction index and relations with the supplier, companies relationship with it's logistic chain, customer Satisfaction Index, share holder's relations, development of the society, discharging legal responsibility etc.

It has interested researcher to know the perception of various companies of HVAC industry about the philosophy of social responsibility of business and their activities and approaches in the same area. The attempt in the present research has also been made to identify the commonalities and differences towards the CSR among these companies, specifically when it has been noted that growth in the industry may directly adversely effect the environment and planet.

## **References**

- 1 [http://en.wikipedia.org/wiki/2G\\_spectrum\\_scam](http://en.wikipedia.org/wiki/2G_spectrum_scam)
- 2 Goswami O. (2008) “ For-God-Sake-Go” , Business world – December , 2008 <http://www.businessworld.in/index.php/Columns/For-Gods-Sake-Go.html>
- 3 Mukharjee, N. (2009). ‘A partial Eclipse , the growth paradox’, India Today , April 6 2009  
<http://indiatoday.intoday.in/site/Story/34036/ECONOMY/A+partial+eclipse.html>
- 4 Parekh, D. “Role of Govt business and civil society in building sustainable communities. Integrated approach to social responsibility” Economic Times Mumbai March 17,2008 P.17
- 5 Friedman T. (2006) “ Hot , Flat and Crowded” Penguin Publications.
- 6 Financial Report , M/s Blue Star Ltd, 2009.
- 7 Inter Governmental Panel of Climate Change (IPCC ) Report : 2001.
- 8 The News , October, 2007.

## **Chapter 2**

### **Research Objectives And Research Methodology**

#### **Contents**

- 2.1 Prologue and Identification of Research Problem
- 2.2 Objectives of the Study
- 2.3 Time Period of the Study
- 2.4 Research Design
  - 2.4.1 Reasons for Selecting Four Companies and Their Brief Introduction
  - 2.4.2 Universe of the Study and Sample Size Selection
  - 2.4.3 Research Design, Variables and Scales
  - 2.4.4 Reliability and Validity
  - 2.4.5 Sources of Data Collection
  - 2.4.6 Data Analysis Plan
- 2.5 Implications of the Study
- 2.6 Limitations of the Study

## Chapter 2

### Research Objectives And Research Methodology

#### **2.1 Prologue and Identification of Research Problem**

The conventional Indian model of CSR is too focused on philanthropy, and the nature of philanthropy is often unrelated to business, therefore majority of the social concerns for the nation remained unanswered. If CSR's parameters are defined strictly by corporate philanthropy, the risk of irresponsible behavior is always going to be high. It means a new recognition of the CSR's requirements will help elevate Indian companies to the next level of responsibly serving society. In the corporation of India CSR practices vary widely; without much research on the it, however, broad patterns are visible. In the US, the objective often is to separate CSR activity and establish distinct foundations. Europe is similar to Japan in business conduct, which follows the concepts of *shobaido* (the way of good business) and *shonindo* (the way of merchants). The Japanese and European ideology is explained by CSR specialist Mallen Baker. As he puts it, "CSR is no longer defined—if it ever really was—by the process of how much money a business gives away, but by how that business makes its money in the first place." With the above fact, it is important to note that companies in India have not yet embraced this notion.

During the preliminary review of the management and technical literature it was found that, not much organized efforts or research work has been done on air-conditioning industry in India. Mostly financial performance has been discussed and debated of the HVAC industry in financial magazines, and there are very few efforts made on the

market potential analysis, market share analysis and competitors analysis in India, although there is a close linkage between global warming and HVAC industry with the usage of non-environmental friendly refrigerant gases (Table 2.1) ; as well as HVAC industry is also perceived to be one among the highest energy consuming industry . It was also found that not considerable inputs are available in the area of perception towards the CSR of the industry captains. Not much of structured efforts have been made to understand the CSR activities of the Industry players in India. (1)

**Table 2.1 - Refrigerant Comparison**

<b>Refrigerant</b>	<b>R12</b>	<b>R22</b>	<b>R410A</b>
Ozone Depletion Potential (ODP)	1	0.55	<b>0</b>
Global Warming Potential (GWP)	8500	1700	<b>1975</b>
Type	CFC	HCFC	HFC

Source : IPCC Climate Change Report. 2001

It has interested researcher to know the perception of various companies of HVAC industry about the philosophy of social responsibility of business. It would certainly be important to study the CSR approaches of the various companies and to identify the commonalities and differences in these companies CSR approaches, specifically when it has been noted that growth in the industry may directly adversely effect the environment and planet. In the present research an attempt is also made to explore the widely present unfair business practices adopted by the players to keep the business going in the competitive environment. What are the areas various players choose to discharge their philanthropic social responsibility? What are the main hurdles that confront the players in discharging their social responsibility? etc.

## **2.2 Research Objectives**

This study and the research have been trying to attend the following dimensions of the air conditioning industry.

1. To identify the CSR approaches of the air-conditioning industry companies.
2. To identify the commonalities and differences of these companies with respect to the approach, and to identify the most commonly adopted CSR practice.
3. To study the sustainability reports filed by the industry players in India.
4. To examine the perception of various companies of HVAC industry about the philosophy of social responsibility of business.
5. To understand ethical issues and concerns the air conditioning industry is facing, and to explore the widely present unfair business practices that are adopted to keep the business going.
6. To identify the handicaps that confronts the players in discharging their social responsibility.

## **2.3 Time Period of the Study**

For the present study researcher had started working on the research problem identification and literature review, from the mid of the year 2009. The secondary data have been collected till the financial year ended March 2010. The secondary data collection was carried out from the January 2019 to April 2010. (Air conditioning industry has a cyclic business and the time of Indian monsoon and winter was more favorable to the executives for supporting research scholar). Time of July 2010, to January 2011 was invested in the primary data collection. The monsoon and winter

season was preferred of 2010 and 2011 (July 2010 to January 2011), for the primary data collection and executives interviews of the HVAC industry professionals as well as coding and recording the data in a sequence so that in the statistical software friendly manner. The brief about the research plan has been detailed in Table 2.2.

**Table 2.2 Research Time Plan**

<b>Sr. No.</b>	<b>Activity</b>	<b>Time duration planned</b>	<b>Remarks</b>
1	Literature Review & Identification of Problem	Mid of 2009	Identified clear research area and methodology.
2	Research Proposal submission	June 2009	
3	Secondary data collection	January 2010-April 2010	In line with the industry executives convenience
4	Secondary data analysis and questionnaire design	May 2010-August 2010	
5	Primary Data collection and top management executives interviews	July 2010 to Jan 2011	In line with the industry executives convenience
6	Data tabulation and statistical calculations	Feb 2011 & March 2011.	
7	Data analysis, synthesis and suggestions	April 2011 to June 2011	
8	Research thesis preparation	June 2011 to September 2011.	

## **2.4 Research Design**

### **2.4.1 Rational for Sample Selection and Their Brief Introduction**

HVAC industry has eight to nine dominant players in the industry in India among it's various segments. (Indian Society of Heating Refrigeration and Air-conditioning Industry ; ISHRAE Report , 2008) In the proposed research various industrial and commercial companies selected for the study are (1) M/s ETA India Ltd. (2) M/s Blue

Star Ltd , M/s Voltas Ltd. and M/s Carrier Aircon Ltd. Representing the major market share in the country for the Industry.

Above companies are selected due to the specific reasons listed below:

- The commonality among all four selected companies are that , they are present in all the product segments of HVAC industry and they are also present nationally in all the markets of the country.
- All the selected companies are present in all the business formats of the industry like (a) Manufacturing of the equipments (b) Contracting business of designing and execution of the projects (c) After sales services and maintenance contracts.
- Composition of the selected companies have couple of family business oriented leading domestic players like M/s Blue Star Ltd and M/s Voltas Ltd which are existing in the industry over last 60 years plus and other couple of players are late entrant multinational players i.e. M/s ETA India Ltd and M/s Carrier Aircon Ltd. are from the middle east and USA respectively.

**Brief Introduction of the Selected Companies.**

**(A) M/s Blue Star Ltd.**

M/s Blue Star Ltd , is one of the oldest Indian Multinational company operational in the country since last 60 years plus in the field of HVAC industry with a turn over of over Rs. 2500 crore ( Financial Report , 2010). The company has employee over 2500 people and six manufacturing plants across the country. **(2)**



**(B) M/s Voltas Ltd.**

M/s Voltas Ltd is also one among the pioneer Indian Multinational in the filed of HVAC industry with over Rs.4000 crore in 2010 ( Financial Report , 2010) and one among the TATA group of companies , and TATA group itself is well known for the visionary leadership of Mr. Ratan Tata at present. **(3)**

**(C) M/s Carrier Aircon Ltd.**

M/s Carrier Aircon Ltd. is named, from the inventor of Airconditioners Mr. Carrier and is a multinational organization operation with leading global market share, it has started it's Indian operation in mid of 1990's and operational now with a turn over of over Rs. 1000 crore. in India (Financial Report , M/s Carrier Aircon Ltd.) **(4)**

**(D) M/s ETA India Ltd.**

M/s ETA India Ltd is the upcoming industrial manufacturing and project company operational mainly in Gulf countries and Middle East now spreading its business in India with its Joint Ventures like SANYO, and O'General.

The selected industry players are operational with their prime focus on HVAC business. In the present research besides understanding the attitude and approaches towards CSR, of the selected companies, researcher is also interested in understanding the perception of executives of the selected companies regarding CSR. **(5)**

The main objective for the current research was “to understand the corporate social responsibility practices and approaches of the selected companies of HVAC industry (objective no 1).” with a secondary objectives (objective no 2 and 3) like, “to

understand commonalities and differences in the inter company CSR approaches” as well as “ to study the sustainability reports filed by the companies”. This was quite slippery area in to which researcher was entering, because the area was so grey that not much of the information in the management literature was available either for the HVAC industry or researcher was not even sure, whether there is any existence of the corporate social responsibility practices even in the companies of the industry.

Keeping main objective of the research is “To study about CSR approaches of the selected companies” for achieving the above objective in to the sound manner host of secondary data was collected and top management and executives were personally interviewed.

However for the other objectives mainly like,

“To examine the perception of various companies of HVAC industry about the philosophy of social responsibility of business” ; “What are the ethical issues and concerns the industry is facing, and to explore the widely present unfair business practices that are adopted to keep the business going.” And “To identify the main handicaps that confront the players in discharging their social responsibility.”

(Objectives no 4,5 and 6) both primary and secondary data were collected. Collection of secondary data was in the form of pre-designed questionnaire and personal interview.

(6)

#### **2.4.2 Universe of the Study and Sample Size Selection**

Secondary data was obtained with the help of the websites of the companies, financial reports, Industry journals, Capital Reports , leaflets , magazines etc. Secondary data were also obtained from the seminars, newsletters and magazines published by the

organized industry forums. Collection of primary data was in the form of pre-designed questionnaire and personal interview. Around 5 to 10% of upper middle and middle management level employees were to be chosen as respondents from all the companies and they were interviewed with pre-designed questionnaire, to measure their attitude towards the CSR. ( *As recommended by Hay and Gray Scale (1977) and Jadeja Jayraj , 1992 ) (7)*

For the research convenient judgment sampling was used. The sample size was selected as recommended by the scale as shown in Table 2.3 under. However the reasons behind selecting the sample size is as under based on Hay and Gray scale recommendations as well as the same being used by the previous peer reviewed research papers or publication . **(Refer Table 2.3.)(8)**

**Table 2.3 Sample Size Selection**

<b>Sr. No</b>	<b>Company</b>	<b>Approximate Management Executives (Approx. Universe)</b>	<b>Minimum Recommended Sample Size (5% of total)</b>	<b>Actual Sample size selected</b>
1	Blue Star Ltd (BSL)	600	30	62
2	Voltas Ltd (Voltas)	700	35	51
3	Carrier India Pvt. Ltd (Carrier)	350	18	27
4	ETA India.	350	18	31
	Total Sample Size			171

The sample size selection was judgmental and based on the convenience and probability of availing response of the researcher.

### **2.4.3 Research Design, Variables and Scales**

The research objectives have been grouped in to the two parts for the convenience in describing the research methodology. For achieving the results of objective numbers (1), (2) and (3) secondary data were obtained with the help of the websites of the companies, financial reports, industry journals, capital reports , leaflets , magazines etc. Secondary data were also obtained from the seminars, newsletters and magazines published by the organized industry forum like ISHRAE (Indian Society of Heating Refrigeration and Air-conditioning Engineers) as well as RAMA (Refrigeration and Air-conditioners Manufacturers' Association) and "JARN" , (Japan Airconditioning and Refrigeration News) etc. The details studied, under the CSR approaches have been explained in the tabular form in Table 2.4 (Refer table 2.4 ). As explained in the table CSR approaches of the companies has been studied with four major variables like companies corporate governance practices, companies intrinsic CSR approaches, companies extrinsic CSR approaches and companies social rating or reporting practices. The same have been studied with the help of researches analysis tools used in the researches by Jadeja Jayraj (1992) " Approaches towards the Social Responsibility in the selected Industrial Houses of Gujarat" and Gokarn S. (2009) "ESG Indexes for fortune 500 companies of India".

**Table – 2.4 Study of the selected companies CSR approaches of HVAC Industry  
Selected Companies (1) BSL (2) Voltas (3) Carrier (4) ETA Detailed Research Design**

	Variables studied for understanding CSR Approaches of the companies			
	A Study of Company's Corporate Governance Practices	A Study of Company's Intrinsic CSR Practices	A Study of Company's Extrinsic CSR Practices	A Study of Company's CSR performance Index / Social reporting Practices.
Key areas studied under each variable				
A	Corporate Existence of the Company	Intrinsic CSR approaches towards employees	Companies strategic belief for choosing extrinsic CSR areas.	A Study of companies Performance index on Karmayog /KLD /ESG etc. indexes.
B	Board of directors and legal responsibility of the company	Intrinsic CSR approaches towards stake holders like dealers/vendors distribution channels	A Study of companies extrinsic CSR approaches in the preferred area of CSR activities.	A Study of companies investment made through the indexes for CSR activities.
C	Emerging trends or innovative ways of building good governance	Intrinsic CSR approaches towards customers	A Study of community services and CSR activities carried out by company/executives.	A Study of social reporting practices of the company.
D	Guiding values and beliefs of the companies		Companies CSR approaches towards global and contemporary issues.	Notes : 1) KLD, Kinder Lydenberg Domini & Co. was the first in developing social index. 2) ESG – Environment Social and Governance Index.
E	Financial Governance via Financial Performance and important financial ratios.			
Type and Sources of Data Collected	Secondary data from financial journals / reports , Companies internal communication magazine, Business magazines, CSR indexes , Websites , Research journals/Personal interviews with the Top management executives of the company.			
Scale/ Methodology / Articles referred	Gokarn S. (2009) “Study of ESG Index” was followed to understand – Governance parameters. (ESG, Environment, Social and Governance Index.)		Gray Robert & Hay (1977) “Social Responsibility of Business Managers” and Jadeja Jayraj (1992) “ Approaches towards social responsibility of selected industrial house of Gujarat.”	

Objectives number (4), (5) and (6) were studied using detailed questionnaire form and interviews of the top, upper middle and middle management executives of the companies. Objective number 4 in specific “To examine the perception of various companies of HVAC industry about the philosophy of social responsibility of business” was studied by using Hay and Gray Scale (1977).

### **Hay and Gray Scale (1977)**

Hay and Gray scale measures the attitude towards the management and executive CSR perception by using 14 defined variables, mainly grouped as “Economical and Technical dimensions (7 out of 14 variables), “Social and Political dimensions (5 out of 14 variables), and “Environmental and Aesthetic dimensions”(2 out of 14 variables) . The translation of the data analysis rates the attitude of the business in to the category like “Profit maximizing behavior” or “Calculative behavior” or “Socially responsible behavior”.

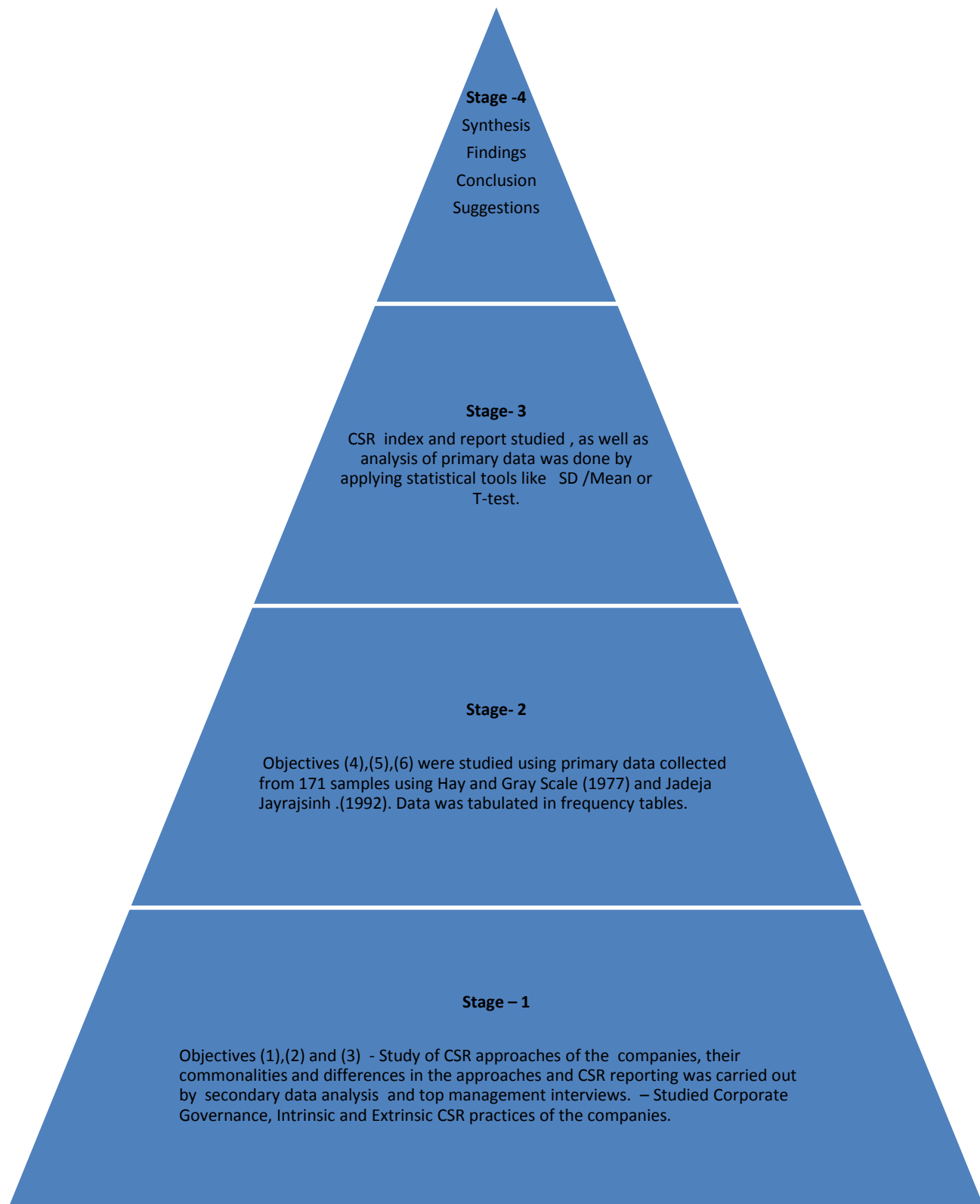
The related questions for getting desired response for objective numbers (5) and (6) were asked using the scale used by Jadeja Jayraj (1992). The other important relevant input regarding the social responsibility behavior of the company executives were also obtained asking questions as mentioned and tabulated in the Table 2.5 (9)

The data collected were measured and analyzed using a bi-variate analysis. Majority of the questions were used with proper scale, however most of the responses were being recorded with **nominal or interval scale**, that resulted in to the fact that the most of the responses and data were of nominal scale or interval scale.

*Table 2.5 Outline of the Data to be Obtained Through Questionnaire.*

1	Respondents' profile measurement like age group, gender , work area , income etc.
2	Measurement of respondents' perception about desirability of CSR.
3	What is their perception about reasons for not undertaking CSR programs?
4	What is corporate philosophy with respect to CSR approaches of the company – Profit maximizing; Calculative behavior or Socially responsible behavior?
5	Measurement of executives perception about important publics with respect to Social Responsibility
6	What is executives perception regarding existence of Social Responsibility policy in their organization?
7	Which programmes their organization carry out for the betterment of community?
8	Information regarding who looks after CSR activities in the organization?
9	Executives perception about provision of consumers' grievance management
10	Measuring executive's perception regarding desirability of consumers' association.
11	Measuring executives beliefs regarding consumers' association role in the organization
12	What are the executives perception regarding companies intrinsic CSR towards the employees in the organization and employee rights?
13	Measuring employee's perception regarding employee's rights.
14	Recoding the perception of interaction on non-work platform with an employee.
15	Recording the informal interaction ways adopted by the companies.
16	What are the executives perception regarding responsibilities towards the share holders?
17	Executive's perception regarding to what extent they feel that their organization is able to fulfill legal responsibilities?
18	What is a Government reaction to the Social Responsibilities activities of the organization?
19	Executives perception regarding ethical standards of their organization
20	What are the important hurdles for doing the business in an ethical manner?
21	Which all unethical practices prevailing in the industry or organization they would like to eliminate if at all is in practice?
22	Executives perception regarding the necessity of Industry code of conduct
23	Executives perception regarding regulatory body for the implementation and control of industry code of conduct
24	Recording the executive's perception regarding group of executives should head the code of conduct in the industry.
25	What is the executive's perception about the existence of Social Reporting practices of the company?

**Diagram 2.1 Research Design – Pictorial View.**





The collected data were tabulated in the statistical order and their percentages, mean and standard deviation was carried out. Data were measured and analyzed using a bivariate analysis. For the response of few of the questions inter company result and it's significance were tested using T- test. T-test was carried out at alpha level of 5%.

#### **2.4.4 Reliability and Validity**

In the study the corporate philosophy with respect to social responsibility has been operationalized as profit maximizing, calculative and socially responsible behavior. The approach of the companies towards social responsibility has been measured by using Hay and Gray (1974) scale, (Hay, Robert and Gray, E.D. : “Social Responsibility of Business Managers”, Academy of Management Journal, March, 1974.) , which has 42 (14 variables multiplied by 3 statements ) statements, falling in to three categories i.e.

- (i) Economic and Technological Dimensions
- (ii) Social and Political Dimensions
- (iii) Environmental and Aesthetic Dimensions

All these three major variables pertaining to social responsibility were got rated along 14 statements each. (Please refer to the Questionnaire: Question No. 4).

The reliability and the consistency of the scale was pretested through a pilot study of 27 executives with the help of **Cronbach Alpha**. of the companies chosen for the study. (Refer Table 2.6 for Cronbach Alpha Values for the current research.)

**Table 2.6 (Cronbach Alpha Values)**

<b>Sr. No</b>	<b>Set of Variables</b>	<b>Cronbach Alpha Value</b>
1	Calculative Behavior – 14 variables	0.707
2	Social Responsibility Behavior – 14 variables	0.704
3	Profit maximizing Behavior – 14 variables	0.600

The Cronbach Alpha value of **0.707** in the case of ‘Calculative behavior measurement’ ; it’s **0.704** in the case of ‘Socially responsible behavior’ and it’s value is **0.6** in the case of ‘profit maximizing behavior’ which satisfy the reliability condition of having Alpha value well above minimum desired value of **0.55** . ( Brief summary of the result has been tabulated in Table 2.6 and Refer Appendix – II, III and IV for the detailed Cronbach Alpha calculation SPSS output). However validity was trusted since the scale has also been used in the peer reviewed literature and validated by the earlier researchers (Ref : Hay R and Gray (1977) and Jadeja Jayrajsinh(1992) ). **(10)**

The three facet of social responsibility can be operationally conceptualized as :

“The profit maximizing behavior has been defined as that corporate behavior which is largely profit oriented and places minimum emphasis on its social and political environment and aesthetic consequences.”

“ The calculative actions though are largely oriented towards profit but does take into consideration the impact of various corporate activities on it’s social and political environment and aesthetic aspect of community life.”

“The socially responsible actions are primarily aimed at furthering societal interest, but do not rule out the importance of profit, as it is held that only profit making organizations can be socially responsible.” (11)

From the aforesaid definitions of three parameters it is clear that, in all the three cases ‘profit’ is a common denominator. It is the philosophy of business with respect to profit earning that makes it “Socially responsible” or otherwise and not merely one’s attitude towards the social welfare, which highlights the fact that the ‘profit making’ is certainly not against the philosophy of social responsibility.

#### **2.4.5 Sources of Data Collection**

Secondary data were obtained with the help of the websites of the companies, financial reports, Industry journals, capital reports, leaflets, magazines etc. Secondary data were also obtained from the seminars, newsletters and magazines published by the organized industry forum like ISHRAE (Indian Society of Heating Refrigeration and Air-conditioning Engineers) as well as RAMA (Refrigeration and Air-conditioners Manufacturers’ Association) and “JARN” , (Japan Airconditioning and Refrigeration News) etc. In specific for Blue Star the data was also obtained from the internal company employee magazine “Communer” and the book ‘ Blue Star Way’.

Source of Primary data collection was as under tabulated in Table 2.7.

***Table 2.7 (Sources of Primary data collection)***

<b>SrNo.</b>	<b>Company</b>	<b>Sources of Primary Data Collection</b>
1	Blue Star	Ahmedabad branch office, Vadodara Branch office , Dadara plat , mail support from Mumbai office.
2	Voltas	Ahmedabad branch office, Dadara Plant and internet and email responses.
3	Carrier	Ahmedabad branch office, Pune branch office , mail support from Delhi and Mumbai offices.
4	ETA	Ahmedabad branch office, Surat site office as well as mail support form Mumbai office.

**2.4.6 Data Analysis Plan**

Primary data analysis was done by using proper research tools and the detailed question wise analysis plan and related objective attend has been tabulated in Table 2.8 (12)

**Table 2.8 Measuring Companies Executives' Perception About CSR.**

<b>Question No.</b>	<b>Objective</b>	<b>Questionnaire scale</b>	<b>Data Analysis tool</b>	<b>Remarks</b>
1	Respondents Profile	Nominal , Interval	Percentage	Refer Table -5.1
2	Measurement of respondents' perception about desirability of CSR.	Interval	Percentage	Refer Table – 5.2
3	What are their perceptions about reasons for not undertaking CSR programs?	Interval with weight	Percentage	Refer Table -5.3
4	What is corporate philosophy with respect to CSR approaches of the company – Profit maximizing; Calculative behavior or Socially responsible behavior?	Interval with 14 variable Hay and Gray scale	Mean, Standard deviation calculated, T-test was carried out. (Table 6.4,6.5 ,6.6)	Inter company results significance has been checked with T-Test ( Two sample , unequal variance pair T-test)
5	Measurement of executives perception about important publics with respect to Social Responsibility	Nominal	Percentage.	Table - 5.7
6	What is executives perception regarding existence of Social Responsibility policy in their organization?	Nominal	Percentage	Table- 5.8
7	Which programmes their organization carry out for the betterment of community?	Interval	Mean, Standard deviation calculated, T-test was carried out. (Table 6.9,6.10)	Inter company results significance has been checked with T-Test (Two sample , unequal variance pair T-test)
8	Information regarding who looks after CSR activities in the organization?	Nominal	Percentage	Table – 5.11
9	Executives perception about provision of consumers' grievance management	Nominal	Percentage	Table – 5.12
10	Measuring executives' perception regarding desirability of consumers' association.	Nominal	Percentage	Table – 5.13

<b>Question No.</b>	<b>Objective</b>	<b>Questionnaire scale</b>	<b>Data Analysis tool</b>	<b>Remarks</b>
11	Measuring executives beliefs regarding consumers' association role in the organization	Nominal	Percentage	Table – 5.14
12	What are the executives perception regarding companies intrinsic CSR towards the employees in the organization and employee rights?	Nominal	Percentage	Table – 5.15
13	Measuring employees' perception regarding employees' rights.	Nominal	Percentage	Table – 5.16
14	Recoding the perception of interaction on non-work platform with an employee.	Nominal	Percentage	Table – 5.17
15	Recording the informal interaction ways adopted by the companies.	Nominal	Percentage	Table – 5.18
16	What are the executives perception regarding responsibilities towards the share holders?	Interval	Mean, Standard deviation calculated, T-test was carried out. (Table 5.19,5.20)	Inter company results significance has been checked with T-Test ( Two sample , unequal variance pair T-test)
17	Executives' perception regarding to what extent they feel that their organization is able to fulfill legal responsibilities?	Interval	Mean, Standard deviation calculated, T-test was carried out. (Table 5.21,5.22)	Inter company results significance has been checked with T-Test ( Two sample , unequal variance pair T-test)
18	What is a Government reaction to the Social Responsibilities activities of the organization?	Nominal	Percentage	Table – 5.23
19	Executives perception regarding ethical standards of their organization	Nominal	Percentage	Table – 5.24
20	What are the important hurdles for doing the business in an ethical manner?	Interval	Percentage	Table – 5.25

Question No.	Objective	Questionnaire scale	Data Analysis tool	Remarks
21	Which all unethical practices prevail in the industry or organization they would like to eliminate if at all is in practice?	Nominal	Percentage	Table – 5.26
22	Executives perception regarding the necessity of Industry code of conduct	Interval	Mean, Standard deviation calculated , T-test was carried out. (Table 5.27,5.28)	Inter company results significance has been checked with T-Test ( Two sample , unequal variance pair T-test)
23	Executives’ perception regarding regulatory body for the implementation and control of industry code of conduct	Nominal	Percentage	Table – 5.29
24	Recording the executives’ perception regarding group of executives should head the code of conduct in the industry.	Nominal	Percentage	Table – 5.30
25	What are the executives’ perceptions about the existence of Social Reporting practices of the company?	Nominal	Percentage	Table – 5.31

### **2.5 Implications of the Study**

Present research is going to be helpful to the academics, to the practicing managers and to the society in many ways like:

- In the present research an attempt has been made to introduce and analyze the air-conditioning industry in terms of its market strength, growth rate, emerging trends and challenges with the help of various framework, that will be surely helpful to the management of the various companies and academic world. It is noteworthy here that, not much of the literature on the air-conditioning industry is available because the industry was highly unorganized, fragmented and small by size till mid nineties, Industry analysis carried out in the present research informs about the unexplored but highly growing industry of Indian and world to the management circles and the society.
- Research throws light on the global contemporary issue of Ozone depletion and it's relation with HVAC industry or usage of air-conditioners, The present research will help society in creating awareness about the refrigerant chemistry and will also help them in guiding what kind of refrigerants are good or what's bad for the environment to use as well as it will direct the people to use right technology.
- Research explores the new area of corporate social responsibility practices and approaches used by the HVAC industry players which will help the industry to know about commonalities and differences of their CSR approaches and learn from the one another about the emerging trends and in learning new ways of challenges faced in discharging CSR.



- Present research explores the attitude of the management executives of HVAC industry and their perception about CSR approaches adopted by the companies which will give important insights to the industry players about their actions and will help them in understanding their people's perspective.
- Present research also throws light on the international standards of social reporting methods implemented by the global company like United Technology Corporation (UTC). Their social reporting practices can be helpful for the companies which are not having social reporting practices in the management.

### **2.6 Limitations of the Study**

Major handicaps and limitations of the present research are as follows.

- One of the major limitations of the research was the time constraint which limits the scope of sample size.
- Small and convenient sample size of 171 samples (out of total population size of approximately 2000) close to 9% of the total management executives is the other limitation of the present research which is mainly due to the time constraint.
- Corporate executives were under tremendous competitive pressures and their routine activities or work pressure. Researcher is certainly thankful for their time and responses given, however the respondents own understanding and their personal biases was one of the major limitation of the present research.

## **References**

1. IPCC (International Publication of Climate Change) Report : 2001
2. Financial Report : M/s Blue Star Limited : 2008
3. Financial Report : M/s Voltas Limited : 2008
4. Financial Report : M/s Carrier Aircon India Pvt. Ltd. – 2008
5. Financial Report – M/s ETA Engineering India Pvt. Ltd.-2008
6. Luck, D.J. and Rubin, R.S. (1987). **‘Marketing Research’** , Seventh Edition, Prentice - Hall.
7. Hay R, D & Gray E, R (1977) : Business and Society, Cincinnati South-Western Publishing CO. 1981.
8. Jadeja, Jayrajsinh (1992). ‘Approaches towards the Social Responsibility in the selected Industrial Houses of Gujarat’, Sardar Patel University , Vallabh Vidyanagar. Pp 6-7-8
9. Hay R, D & Gray E, R (1977) : Op.Cit P:9
10. SPSS Version 13.0 for windows (2009) : Coakes Sheridan J and Steed Lyndalyy Dzidic Peta – Wiley Publication New Delhi.
11. Op.cit Pp 85-86
12. Cooper Donald R, Schindler Pamela S. (2005) : “Business Research Methods” Tata McGraw-Hill publication. 9<sup>th</sup> Edition.

## Chapter 3

---

### Review of Literature

---

#### Contents

#### **Section - I :Social Responsibility of Business Definitions, Concepts and Approaches.**

- 3.16 Prologue
- 3.17 Social Responsibilities Definition.
  - 3.17.1 Definitions From Academicians and Researchers.
  - 3.17.2 CSR as Understood by Business and Political Leaders.
- 3.18 Social Responsibility of Business and Related Concepts
  - 3.18.1 Social Responsiveness
  - 3.18.2 Business Ethics
  - 3.18.3 Corporate Social Performance
  - 3.18.4 Corporate Accountability
  - 3.18.5 Corporate Citizenship
  - 3.18.6 Corporate Conscience.
  - 3.18.7 Social Issue
  - 3.18.8 Social Competition
  - 3.18.9 Stake Holder
  - 3.18.10 Social Responsibility and TBLR
  - 3.18.11 Managerial and Legal Responsibility
  - 3.18.12 Corporate Culture.
- 3.19 Emerging Dimensions and Concepts of Social Responsibility
  - 3.19.1 Global Corporate Citizenship
  - 3.19.2 Corporate Social Irresponsibility
  - 3.19.3 Sustainable Development
  - 3.19.4 Cause Related Marketing.
- 3.20 Approaches to Social Responsibility
  - 3.20.1 Classical approach
  - 3.20.2 Accountability approach
  - 3.20.3 Public approach
  - 3.20.4 Trusteeship approach

- 3.21 CSR and Business Strategy linkage theories
  - 3.21.1 Institutional theory
  - 3.21.2 Theory of Firms.
  - 3.21.3 Strategic Leadership theory
- 3.22 Conceptual Strategic Models in CSR literature.
  - 3.22.1 Pyramid metaphor of CSR
  - 3.22.2 Economic Profit or Intrinsic Profit Model.
  - 3.22.3 Ethical, Altruistic and Strategic CSR Model.
  - 3.22.4 Five forces model as CSR drivers
- 3.22.5 PPP Model for Development.

**Section - II :Social Responsibility Of Business : Historical Perspective; Critique and Empirical Research Results**

- 3.23 Prologue.
- 3.24 Social Responsibility of Business : An Indian Historical Perspective
- 3.25 Social Responsibility of Business : A Critique.
  - 3.25.1 Arguments for CSR
  - 3.25.2 Arguments against CSR
- 3.26 CSR and Empirical Research Results.
  - 3.26.1 Research relating to CSR and Marketing Functions
  - 3.26.2 Research relating to CSR and Human Resource Functions.
  - 3.26.3 Family Business and CSR
  - 3.26.4 Corporate Governance HRM and CSR
  - 3.26.5 Research relating to CSR and Economic Performance
  - 3.26.6 Social Reporting
  - 3.26.7 CSR Implementation On Strategic Decision making
  - 3.26.8 CSR Impact Assessment, Implementation and Approaches studies.
- 3.27 CSR and Its Linkage with Functional Areas.
- 3.28 CSR as Marketing and Branding Tool.
- 3.29 Government Role and Regulation in Social Responsibility.
  - 3.29.1 Government Role and Responsibilities in Driving CSR.
  - 3.29.2 Government of Gujarat as a Promoter of CSR
- 3.30 Conclusion.
- Reference

## Chapter 3

---

### Review of Literature

#### **Section - I :Social Responsibility of Business Definitions, Concepts and Approaches.**

---

*Albert Einstein is believed to have said, "It is every man's obligation to put back into the world at least the equivalent of what he takes out of it."*

*"It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest."*

*Adam Smith, cited in The Economist (22 January 2005: 9)*

### **3.1 Prologue**

The dominant thinking of business firms, till around the mid twentieth century, was mainly to earn profit for the shareholders (owners).

**Milton Friedman (Friedman, 1970)** stated that “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (1)

In modern literature of CSR, there are two schools of thought which have emerged regarding the end purpose of the CSR. First school of thought promotes CSR from an ethical standpoint, which talks of CSR for the sake of CSR without any expectation from the CSR activities. This “noble way” for corporate behavior is the only form of CSR according to this perspective. Another thought looks CSR from a business strategy point of view. This thought has its origin in the agency theory according to which the primary aim of corporate managers is “to increase shareholder value” and it gives a strategic thinking to the CSR efforts and activities and admire that all the CSR

activities and approaches of the organization should ultimately result in to maximizing share holders value. Which means that second school of thought has a clearly spelled out end purpose of CSR unlike, CSR being just like social activity.

**Carroll (1991)** has proposed a pyramid of CSR. Four categories or components of CSR; economic, legal, ethical and philanthropic responsibilities of an organization are explained metaphorically through a pyramidal shape. This paradigm of thinking changed as the expectations of society from business from 1960s onward. This change was mainly because of the occurrence of certain events like **(2)**

1. The coming of Rachel Carson's, book Silent Spring in 1962 and Ralph Nader's consumer safety and environment movement in the 1960s
2. Stockholm conference, 1972
3. Earth summit (Rio de Janeiro, 1992)
4. World summit on sustainable development (Johannesburg, 2002)
5. Bhopal gas tragedy, 1984 and corporate bad behavior (Shell, Nike, Exxon Mobile, Enron and WorldCom) became common place from the 1990s
6. Formulation of Kyoto protocol 1997 and institutionalization of the global warming movement.

Many such events along with the events mentioned changed the business and society equation. Business firms were expected to take responsibility of the harm the firm activities caused to environment and society Business responded to these pressures with a set of activities given the generic name of **Corporate Social Responsibility (CSR)**.

**(3)**

During literature review, it has been found that the CSR approaches since the 1990 have become inclusive in the sense that multi stake holder initiatives are being adopted to promote the concepts and practices of introducing and managing the CSR program. Large corporations are increasingly recognizing a need for CSR action in wake of the civil society. CSR is being interpreted as a good corporate governance and need for good governance could hardly be overstressed. CSR has not remained a function of only shareholders but it has been a complex multilateral function of stake holders, NGO, Government etc.

**Peter Drucker (1984)**, legend of Modern Management, remarked in his paper ‘The new meaning of corporate social responsibility (1984, California Management Review) “Social responsibility is the term used to assert or assign – leadership responsibility of the businessman with respect to the “culture” of the community. – Responsibility for social impacts is a management’s responsibility not because it is a social responsibility but because it is a Business responsibility.”(4)

Acceptance and understanding of Corporate Social Responsibility, was started during the early ‘70s and remained the property of the top and Profitable organizations, leadership levels. However in the last decade, considerable progress has been made and all most all the corner of the world, Corporation has started understanding it’s importance and they have been responding the matter, with more responsive way. Some of the highlighting facts are

**As per the World Bank Sustainability Report, (2003)**

68% of the large companies in Western Europe, reports - CSR and sustainability report,  
41% of the large companies in US, report CSR and sustainability report.

98% Companies in Europe and 93% of the companies in US files the Economic report .  
78% Companies files the Social and Environmental report in Western Europe and 60% Companies files Social and Environmental reports in US.

In India – Practice of sustainable reporting has been started, and taking shape – All the major PSUs mainly known as “Navrantas” are filing the Sustainable reporting.

Awareness towards the CSR and Sustainable Reporting has been gaining in Industrial companies in India. TATA figured in the world’s top 100 companies which have contributed significantly in the areas of CSR, Corporate Governance and Environmental up gradation.

CSR in the modern phase has been an important academic and research concept other than just the philosophical view or spiritual activity. In support the above argument here, some of the examples of the views about the CSR of various business leaders and political leaders or academicians have been presented in brief which have evolved over a different time period. (5)

### **3.2 Social Responsibility Definitions**

The concept of CSR has evolved time by time from a spiritual concept to strategic management concept, during the process of evolution in literature the same has been understood differently and defined differently in the CSR literature. Academic and research scholars have philosophically defined CSR, and business and political leaders have defined CSR in their own view points. Some of the examples of various CSR definitions are presented in brief here.



### **3.2.1 Definition from Academicians and Researchers.**

#### **➤ Howard R. Bowen (1953).**

Conceptual thinking about Corporate Social Responsibility was ignited by Howard Bowen way back in 1953 , he defined CSR as ,

“Social Responsibility implies the obligations of businessmen to pursue those policies, to take those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.” (6)

Various other researchers defined CSR as, we can have look at some of them,

#### **➤ Mc Gunie (1963)**

“The idea of social responsibility suppose that, the corporations has not only economic and legal obligations but also certain responsibilities towards the society to which extends beyond obligations.” (7)

#### **➤ Davis (1973)**

“Corporate social responsibility means bringing Corporate behavior to the level, where it is congruent with prevailing social norms, values and expectations.”(8)

#### **➤ Wood ( 1991)**

Corporate Social Performance is a business organization’s configuration of principles of Social responsibility processes and policies , programs and outcomes as they relate to the firms social retaliate. (9)

#### **➤ Brown and Dacin (1997)**

“CSR is a companies status and activities with respect to its perceived societal obligations.” (10)

➤ **As CSR is being defined by World Bank Ltd. (1998)**

“Social Responsibility is a practice of matching companies with the rest of society. Corporate citizens are engaging in the partnerships for the welfare of all over the world.” (11)

➤ **McIntosh et al (1998)**

“Corporate citizenship is concerned with the relationship between companies and society both the local community which surrounds a business and whose members interact with its employees and wider increasingly world wide community which touches every business through it’s products, it’s supply chain it’s dealer network, it’s advertisement and so on.” (12)

➤ **Marsden and Andriof (1998),**

Marsden and Andriof have tried to look CSR as a ‘Citizenship’ and have redefined CSR in the form of Corporate citizenship.

“Good corporate citizenship is understanding and managing companies’ wider influences on the society for the benefit of the company and society as a whole.” (13)

➤ **Maignan, Ferrell and Hult (1999),**

“Corporate culture is the extend to which company assumes economic, legal, ethical and discretionary responsibilities imparted by them on its various stake holders.” (14)

➤ **Warhurst (2001)**

“A strategy of CSR is defined as the internationalized by the company of the social and environmental effects of its operation through proactive pollution prevention and social impact assessment so that harm is anticipated and avoided and benefits optimized.” (15)

➤ **McWilliams and Siegel (2001),**

They defined CSR as “Situations where the firm goes beyond compliance and engages in ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’”. (16)

➤ **Ferrel and Freidriches (2003).**

“CSR is to maximize the positive impact and minimize the negative impact.” (17)

➤ **EU (European Union) definition of CSR (2003) as**

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis as they are increasingly aware that responsible behavior leads to sustainable business success” (18)

➤ **CII (Confederations of Indian Industry )has defined the CSR as (2005)**

“Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of work force and their families as well as the local community and society at large.”

CSR is undertaken when favorable investors decides volunteering to contribute to a better society and cleaner environment. (Green paper Europe). (19)

➤ **WBCSD ( World Bank Community of Sustainable Development) (2005)**

“Commitment of business to contribute to sustainable economic development”. (20)

**3.2.2 CSR as Understood by Business and Political leaders.**

➤ **Mr.Y.C.Deveshwar, VP ( CII) , (2005.)**

“Business is very important in alleviating people from their poverty. The humanity in us tells us that there is a crisis and hence we need to get our economic engines to generate wealth for the weaker sections of the society.” (21)

➤ **Mr. Arun Maira - BCG Group , (2005)**

“Corporations are the engines of the growth in an economy and they should emphasize on the freedom for the people at the bottom of the pyramid by engaging them in the economic growth process.”

“With a diversified country like India , we need to get measures of our economy , social health and environmental quality. (22)

➤ **Rajrishi Singhal (2005) “Make profit with clean conscience”**

He quotes in his article “Once upon a time”, he reports, it was guaranteed to generate more skepticism than to create goodwill. Today, it has become a genuine article of corporate faith. It is what companies, their shareholders and stakeholders feel is the right thing to do. Things have changed enormously over the past decade and the earlier cynical approach to good corporate behavior is now slowly giving way to genuine belief that improving society while looking after the bottom-line are not necessarily mutually antagonistic. The two can cohabit the same balance sheet.”

But, in comparison, attempts by many consumer product companies to try their hand at “responsible” or “ethical” marketing are being met with derision. Customers feel companies are resorting to cheap, tugging-heart-strings campaign and strategies to boost sales barring a few examples. Many companies also realized that only PR spin does not win hearts.” (23)

➤ **R.K. Pauchuri (2008) “Perils and progress: Redefining our roles”**

“The human society today faces unprecedented challenges, because while overall economic output in the world as a whole has gone up to levels that, perhaps, a 100 years ago no one would have dreamt of, so also have disparities in income and wealth between and across different societies. Simultaneously, major damage has occurred to the earth’s ecosystems and natural resources. If we take the example of civil society, it is now critical that NGOs and those who voice concerns on behalf of the public would need to not only identify the problem, but also come up with viable and practical solutions. In doing so, research organizations and academia would have to provide the necessary intellectual inputs to civil society, which would ensure that problems and their causes, as well as, solutions that are suggested are robust and relevant.

In the case of government, some difficult choices would have to be made. Again, if in general the world has to move towards more efficient and lower use of natural resources, the economic implications of such a path would need to be fully assessed as also the technological feasibility of doing so; dream merchants who must and will have to address the socio-economic scenario. Nutrition must replace hunger, education should rightly replace the illiteracy and women empowerment should replace women discrimination.” (24)

➤ **Mr. Kumarmangalam Birla (Chairman , Aditya Birla Group , 2006)**

The days are long past when business of the business was just business. The idea that corporation is merely a legal abstraction. Devoid of heart and soul, no longer has legitimacy. Today , no stakeholder – be it a share holder , an employee , the community

or the government – would accept a business whose rationale is limited to profits at any cost, or only to compulsions of its immediate business. (25)

➤ **Prime Minister Dr Manmohan Singh (2007 –CII Meet)**

“If those who are better off do not act in a more socially responsible manner, our growth process may be at risk, our polity may become anarchic and our society may get further divided...I invite corporate India to be a partner in making ours a more humane and just society”. He has also given ten point notes to the corporate leaders as follows.

*One, have healthy respect for your workers and invest in their welfare.*

*Two, corporate social responsibility must not be defined by tax planning strategies alone*

*Three, industry must be proactive in offering employment to the less privileged, at all levels of the job ladder.*

*Four, resist excessive remuneration to promoters and senior executives and discourage*

*Five, invest in people and in their skills.*

*Six, desist from non-competitive behavior.*

*Seven, invest in environment-friendly technologies*

*Eight, promote enterprise and innovation.*

*Nine, fight corruption at all levels*

*Ten promote socially responsible media and finance socially responsible advertising. (26)*

**3.3 Social Responsibility of Business and Related Concepts**

In recent times various concepts related to CSR, have been researched, discussed and adopted and now being practiced by the business and the corporate world are explained as under.

### **3.3.1 Corporate Social Responsiveness**

#### **➤ Wood (1991),**

Corporate social responsiveness refers to “the channels through which companies act out their involvements with the external environment” (p.713). These notions correspond well with the concept of strategy as the mechanism to maintain or bring the firm into alignment with its social environment. While **Frederick (1994)** has defined “corporate social responsiveness as “the capacity of a corporation to respond to social pressures” (27)

#### **➤ Carmen Valor (2005)**

In his attempt of explaining the various terms and concepts associated with Corporate Social Responsibility he explained that, “**Corporate Social Responsiveness**” term emphasized “The proactive approach required from companies and was used to line CSR with strategic management.” (28)

### **3.3.2 Business Ethics**

Quite a good number of persons use the phrase “Business Ethics” since the early day of emergence of “Social Responsibility Concept”. In the words of, **Douglas Sherwin (1979)** “**Ethics** has more fundamental meaning that considers the justifications people offer for the principles and values they hold. Business Ethics refers to the system of moral principles and rules of conduct applied to the business.” (29)

**Peter F. Drucker (2000)** remarked, “There is no separate ethics for business, men and women do not acquire exemption from ordinary rules of personal behavior because of their work or job, however do they cease to be human beings, when appointed as vice-

presidents, manager or college dean, People who cheat, steal, lie, bribe or take bribes the problem is of moral values of the individual. (30)

### **3.3.3 Corporate Social Performance (CSP)**

#### **Thompson and Tuden , (1959)**

They were the one among the earliest to understand the concept of the society and the business and have defined CSP as ,

“*Corporate Social Performance* is a business organization’s configuration of principles of Social responsibility processes and policies, programs and outcomes as they relate to the firms social retaliate.” And, “Corporate social performance was an attempt to offer managerial framework to deal with the CSR and simultaneously an attempt to measure the CSR activities.” (31)

#### **➤ R. H. Miles (1987)**

“He found that the breadth, depth, influence, and integration of the external affairs function within the firm contributed to the social performance of the corporation.” (32)

#### **➤ Hosmer (1989)**

“He focused on the traditional methods to promote social performance, such as ethics codes and ombudsmen, to focus on the impact of the incentives provided by planning, evaluation, and compensation systems on unethical corporate behavior.” (33)

#### **➤ Freeman and Gilbert (1988)**

“They have used moral philosophy as a means of developing a series of enterprise strategies that should lead to improved corporate social performance.” (34)



➤ **Wood (1991)**

“Wood defined corporate social performance as “a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships”. Unfortunately, in his definition the nature of the relationships between the principles, processes, and outcomes is unclear.” (35)

➤ **Clarkson (1995)**

“The second approach mentioned by Preston (1990a) looks at corporate social performance specifically in terms of results. Based on this Clarkson (1995) defines: “Performance is what counts. Performance can be measured and evaluated” This focus on results is also taken up in the literature that evaluates the relationship between corporate social and financial performance” (36)

**3.3.4 Corporate Accountability (CA)**

Corporate accountability is also understood as corporate control. i.e. is “ Establishment of clear means for sanctioning failure.” **Carmen Valor (2005)** has also argued that

“The first condition for accountability is that individuals and stake holders as a group incorporate their moral values in to their economic decisions.” (37)

**3.3.5 Corporate Citizenship (CC)**

Corporate Citizenship is used to “Connect business activity to broader social accountability and service for the mutual benefit.”

Corporate Citizenship is considered to be a term coined by practitioners, who regarded it more positive than CSR. They argue that term Corporate Citizenship emphasizes the idea that corporations have rights and duties towards the society.

### **3.3.6 Corporate Conscience.**

Industrial concerns grow in the process of acquiring wealth. This wealth is not to be utilized only for the satisfaction of personnel ego or desire. That may lead to disaster. Societal health depends upon the way business leaders discharge their trust while it is with them. In what spirit?, with what consciousness in their use of it?, and to what purpose? In any society, there is a set of moral norms and value systems. Every society used to have codes of obligation and ethics. This set of norms makes every person responsible to each other and would force people to behave in a fashion which is appreciable. A corporation also can and should have conscience. The language of ethics does have a role in the organization. Corporations should be more morally responsible than a person. Business ethics / moral responsibility/ corporate conscience all these terms are coined by different thinkers at different point of time and can be used interchangeably as they connote more or less the same meaning.

**Goodpaster (1986) affirms,** “Many students of business have asked whether the corporation can have a conscience and whether it can be made moral, and they usually offer affirmative answers.” While John Ladd observes a similar view “A corporation can and should have conscience. A language of ethics does have a role in the vocabulary of an organization” (38)

**Dr. Jayraj Jadeja (1992) observes** “The terms ethics, morality, conscience are interrelated as one can see it from the fact that, an individual and society have a sense of morality, a general sense of direction of ethics. Ethics is a foundation of moral behavior. An individual has a conscience so has the society. Morality is the applied part, ethics is the foundation and conscience is an internal part of individual.” (39)

### **3.3.7 Social Issue**

#### **➤ Wartick and Mahon (1994)**

“They have defined a social issue as (a) a controversial inconsistency based on one or more expectation gaps (b) involving management perceptions of changing legitimacy and other stakeholder perceptions of changing cost/benefit positions (c) that occur within or between views of what is and/or what ought to be corporate performance or stakeholder perceptions of corporate performance and (d) imply an actual or anticipated resolution that creates significant, identifiable present or future impact on the organization.” (40)

### **3.3.8 Social Competition**

#### **➤ Marsden and Andriof (1998)**

The term Social Competition which is analogous to market competition has been introduced by Marsden and Andriof , according to them , “ Social competition is necessary because any powerful organization needs effective countervailing power to keep them performing effectively for their own benefit as well as that of wider society.”(41)

### **3.3.9 Stake Holder**

Freeman has defined the term “**Stake holder**” – “Any group or individual who can affect or affected by the achievement of the organization’s objectives.”

### **3.3.10 Social reporting and TBLR (Triple Bottom Line Reporting)**

Modern roots of social responsibility have lead to business managers in India to new levels of the concept of the social reporting. Social reporting is being equally or more important as what it is financial reporting.

Milton Friedman ( 1970) believed that . “The social responsibility of the business is to increase the profit.”(42)

However observing the fact that the, “Profit and Loss statement doesn’t account the Cost of Equity. Hence Accounting profit is not the correct index for the measurement of Economic Profit” The Stern Steward & Co. (1982) gave the new dimension for measuring the firms health was through EVA ( Economic Value Addition).

**Singh S. (2007)** Explains the concept of Triple Bottom Line Reporting as ,

**TBLR – ( Triple Bottom Line Reporting).** (John Elkington’s Publication ,1997).

Corporations wishing to create sustainable wealth on long-term basis have to pay equal attention to all of the following three parameters.

(a) People , (b) Planet and (c) EVA ( Wealth Creation).

Consistency in EVA (Wealth Creation) is the ultimate objective of the firms resting on the two basic pillars (1) Discharging social responsibilities towards the people and the society and (2) Upgrading Natural Environment and Ecology. (43)

### **3.3.11 Managerial and Legal Responsibility**

#### **➤ Managerial Responsibility**

Managerial responsibility is to fulfill society’s demand for accountability and to mitigate corporate risk at three levels. Level 1 – Legal Responsibility, Level 2 – Discretionary responsibility, Level 3 – Strategic Responsibility.

**Level - 1 Legal Responsibility**, that is, obeying the law and meeting mandatory standards and codes of conduct.

**Level - 2 Discretionary Responsibility** that is , building community goodwill through acting as a ‘good corporate citizen’.

**Level – 3 Strategic Responsibility** that is , building ‘value’ and attempting to ensure the long term sustainability of a company by increasing its economic and ecological efficiency. (i.e. eco-efficiency), and contributing to a ‘sustainable capitalism’.  
(Elkington, 1997).

➤ **Legal Responsibility**

**Dr. Jayraj Jadeja (1991)** reports in his book “Approaches to Social Responsibility in industrial houses of Gujarat” : When the corporate refuses to provide fair treatment to it’s stake holders Government compels them to adhere to the certain desirable corporate behavior through enacting innumerable desirable laws like employee welfare, consumer protection, pollution control, etc. In such situation corporate are forced to adopt the letter of law, there is apparent feelings among many businessmen that they are discharging their responsibility in proper manner. In such situation businessman give an illusion that they are behaving like a socially responsible citizen. But in fact what they are performing is not out of ‘altruism’ or ‘philanthropy’ but it is the bidding or compulsion set by the government. **(44)**

**3.3.12 Corporate Culture**

➤ **Maignan, Ferrell and Hult (1999)** explained the concept of Corporate Culture, “**Corporate culture** is the extend to which company assumes economic, legal, ethical and discretionary responsibilities imparted by them on its various stake holders.” **(45)**

**3.4 Emerging Dimensions and Concepts of Social Responsibility**

**3.4.1 Global Corporate Citizenship**

While CSR integrates all traditional financial issues with the social responsibilities and environmental sustainability concerns, the emerging strategic concept is Global Corporate Citizenship. (GCC) defined as :

*‘ The process of identifying, analyzing, and responding to the company’s social, political, and economic responsibilities as defined through law and public policy, stakeholder expectations, and corporate values and business strategy . It involves both actual results (What corporations do) and the processes through which they are achieved. (How they do it.)’* (Italics as in original from ‘Competition and Change’, Vol. 9 No. 2, June 2005 Page p.134-135).

Businesses are citizens, whether or not they want to be, and global companies are global corporate citizens. Firms can choose to be active or passive in their behavior, and constructive or destructive in their relationship to the society. Whatever courses their leader chart, corporations will be judged for what they do and how they do it

### **3.4.2 Corporate Social Irresponsibility**

#### **➤ Leo Hindery Jr. and Curt Weeden (1998) Corporate Social Irresponsibility**

They reports, When companies forsake their broadly defined social responsibilities or use spin to construct a deliberately over inflated image of their corporate citizenship, the end result is a private sector and a civil society out of balance. Too prevalent today are heavily promoted, self-generated snippets designed to show how businesses are meeting their obligations to the society. Paid advertisements that wave banners about how companies address global warming, curb health-care costs, or improve public education often are smoke screens to hide a troubling trend:

They also reports in his article that ‘Twenty-five years ago, businesses allocated about 2%, on average, of their pretax profits for gifts and grants, according to a report by the Giving USA Foundation and Indiana University Center on Philanthropy. Today, companies are only about one-third as generous. Based on a recent analysis of IRS tax returns which are, of course, devoid of hype business charitable deductions now average only about 0.7% of pretax earnings. (These figures don’t take into account employee volunteer hours, as the IRS does not allow deductions for employee volunteer time, even if it is time off with pay.) Measuring overall corporate responsibility requires more than just analyzing a company’s philanthropic donations. Fair treatment of employees, making or selling safe products, paying taxes, and complying with environmental standards are all ingredients that should be in the social responsibility stew. However important these things are, though, they are not more important than a corporate-wide commitment to use an appropriate percentage of a company’s pretax resources to address critical issues that affect employees, communities, the nation and the planet.

They also suggest, “Badly needed is a meaningful voluntary commitment by the business community to “ante up” a minimum budget for corporate philanthropy. A reasonable requirement for any company that wants to call itself “a good corporate citizen” ought to be to spend at least 1% of its previous year’s pretax profit for philanthropic purposes. (46)

➤ **Rick Sarre Meredith Doig and Brenton Fiedler (2001)**

What can be done to control and minimize the risk of corporate social irresponsibility? This question has been attempted to answer in their research paper “Reducing the risk of Corporate Irresponsibility : the trend to corporate social responsibility” Authors demonstrate how corporate entities can and should develop a ‘culture’ of corporate social responsibility (CSR) in order to reduce the risk associated with associated practices. CSR principles and initiatives can be delivered and enticed by a broad range of facilitators, including governments, industries, and regulatory bodies. They can also be used for the purpose of enhancing the broader notion of the corporate governance.

(47)

### **3.4.3 Sustainable development**

#### **➤ Kalyan Banerjee (Rotary International President, 2011)**

He reports, “In the last century Milton Friedman wrote, “There is one and only one social responsibility of business is to use its resources and engage in activities designed to increase its profits” With today’s growing global population, changing climate and mounting stress on natural resources, business leaders who continue to define social responsibility so narrowly risk leading their businesses and our planet down an increasingly unsustainable path. The growing century brings a new set of expectations. It is no longer sufficient to profitably provide a quality product or service. We need a new business model that puts business in a broader context. Beyond making a profit, serving a market and obeying the law.”

#### **➤ E Neville Isdell (2007)” The 21st century brings a new set of expectations.”**



He reports a successful business must, at a minimum, do three things.”

**First**, a business should help support the sustainability of the communities it serves. A 21st century company understands that if the communities it serves are not sustainable, then its business is not sustainable. **Second**, businesses must collaborate in new ways with governments and civil society, as they in turn must work with business. The Coca-Cola Company partnership with WWF is one such example.

**Third**, a successful business must be — in both perception and reality — a functioning part of every community in which it operates. He concludes “The future of a 21st century company is tied to the health of our communities and our planet. Some leaders may consider sustainability work to be in a company’s “enlightened self interest”. I disagree. In ways that will determine our ability to achieve consistent, global growth and profitability, it is quite literal self interest.” (48)

#### **3.4.4 Cause Related Marketing (CRM)**

Categorized as sponsorships, cause-related marketing (CRM) involves profit-motivated giving and enables firms to contribute to nonprofit organizations while also increasing their bottom line by tying those contributions to sales. (Dean 2004; Varadarajan and Menon 1988). While company reports and research offers numerous CRM success stories developed by large companies including Yoplait, J. Jill, Avon, and Target—research and reports that promote the potential gains for both the profit and nonprofit partners, (Ellen, Mohr, and Webb 2000; Ross, Patterson, and Stutts 1992), particularly when targeting consumers with greater levels of cause involvement (Lafferty 1996)—there has been a void of research that addresses the strategic importance of persuading

those consumers who are less involved with causes. These less-involved consumers may be the key to future effectiveness for CRM campaigns as competition among companies allying with causes increases. (49)

➤ **Stacy Landreth Grau and Judith Anne Garretson Folse (2007)**

They mention in their research paper “The Influence of Donation Proximity and Message-Framing Cues on the Less-Involved Consumer” that Arguably, the majority of cause-related marketing (CRM) campaigns implemented since their inception over 20 years ago offer consumers who are highly involved with causes a strong reason to participate. Their findings reveal that local donations and positive message framing serve as effective message cues to produce favorable CRM outcomes among this market segment that strategists consider fertile ground. (50)

### **3.5 CSR Approaches Studies.**

A variety of approaches have been propounded to explain the ever changing perception of people about Social Responsibility of Business. Brief about them has been discussed below.

#### **3.5.1 Classical Approach ( Adam Smith, 1937 ).**

Adam smith was the exponent of classical view point and has a belief regarding social responsibility that in a capitalistic free enterprise economy an invisible hand is continually at work for the good of the public. It is the invisible hand-the competitive system itself that protects the society. The classical theorist believed that the values of capitalism originate when business selfishly pursues its profit objective while

competing with other business, the system forces it to be efficient and to produce the best possible product at the lowest price.

They further also believed that business should produce what people need and they deal fairly and honestly with the public. The need for a good public image required companies to be fair in dealing with their employees and free competition for jobs encourages employees to be efficient and productive. (51)

The classical position concerning business investment in social programmes is well expressed by **Milton Friedman** too. He states “In a free enterprise private property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers that a responsibility is to conduct the business in accord with their desires.”

The critics of classical approach believed that apart from all benefits, the system is basically amoral, it leaves no room for the expression of values like love, mercy, compassion, concern for the individual and deep commitment to codes of personal ethics.

The modern advocates of classical view emphasized that there is no substitute for private enterprise to protect the public interest and their primary concern is to prevent the total collapse of private enterprise system. (52)

### **3.5.2 Accountability Approach.**

This approach recognizes the virtues of free market and seeks to preserve them and believes that business is chartered by the society and it should be accountable not only to stock holders but to stake holders like employees, customers, suppliers, creditors , the community and larger economy on which their successes is dependent.

Accountability approach encourages employers to spend money to prevent air and water pollution, and to operate the business in a way it should not create the social problems.

It also advocates each business should treat its public with fairness and consideration.

In the accountability approach, people are viewed as human beings and not as a cog in the machine. A due weightage is given to the people, which classists were not giving. A more benevolent approach has been taken as other needs of people were given importance, broader outlook took shape.

Unlike classical approach, the advocates of accountability approach believed that the government is a necessary ingredient of the total system; one can not do away without it. (53)

### **3.5.3 Public Approach.**

The public approach of the “quality of life” view goes beyond accountability approach by stressing the better standard of living for the society and grater welfare for the society.

#### **➤ Hay and Grey (1977)**

“The public view of social responsibility goes beyond mere accountability and portrays business as a partner with government, education and other institutions in solving society’s problem and thereby improving the quality of life for every one.” (54)

A business which is committed to the public view sets genuinely altruistic as well as selfish goals. It actively works at solving public problems, such as poverty, pollution, inflation, crime etc.

➤ **Galbraith (1973)** opined that

“The obligation of business goes beyond paying its own way, because society has given business right of function and has provided an environment favorable to profit-making, Business is a servant of public and is not the private in the classical sense. Therefore public has a right and obligation to control business for the public good. Where the public interest is at issue, there is no natural right to be left alone.” (55)

But in opposition to this approach, It is believed that the efficiency of business and the subsequent benefit to all the members of the society lies in a limited business objective- in a commitment to profit. The introduction of social goals clashes with the traditional orientation of managers towards efficiency, competitiveness and profit. The traditional contribution of the business is sufficient enough to justify the place of business in the society.

#### **3.5.4 Trusteeship Approach**

Gandhiji explained his concept of trusteeship is : “For those who wish to follow the latter (non-violent) way the best and the most effective mantra is enjoy the wealth by renouncing it. Expanded it means earn your crores by all means. (not by any means) Understand your wealth is not yours: it belongs to the people and society, Take what you need for your legitimate needs and use the reminder for the society”. If we succinctly put his theory then :

“All people having money or property should hold it in trust for the society.” It means that all money and property originally belongs to the society but it stands distributed among all for the purpose of their livelihood and work-involvement. In the same

manner as all land basically belonging to the society or the state is distributed for cultivation. It is only the sense that one owns money and property.

A trustee should work hard according to his entire skill and capacity, increasing the earning value of the trust property as much as he can and charge only that much from the trust property as is absolutely essential for the subsistence and honorable living . Excess of one's income over and above one's living is a social surplus to be employed for the benefit of the society according to its need and wishes.

Gandhiji also emphasized the need for adopting fair and pure means for achieving the ends or goals in life. He believed that:

- "One's earning would be free from dishonesty".

- "I, therefore suggest my advice that moneyed men may earn their money honestly only, of course is perfectly sound." (56)

- **Hasan N.** opined " Trusteeship management may be broadly described as the management that functions as the trustee of the interests of the society. The trusteeship idea springs from the teachings of the great religions of the world. (57)

- **Tandon,** views "Trusteeship from two angles – Macro and Micro. He stated "Trusteeship instituted a way of life that rejected exploitation, violence and emphasized the inherent responsibility of those in position of power and their commitment to the greater good of all." He further also states "Trusteeship believes in a system which has a built in mechanism for the purpose of phasing out and redistributing both ownership and authority of capital in favor of other interest including workers, consumers and community." (58)

➤ **Gupta observes:** “The principles of the trusteeship could not be put into practice unless the necessary conditions are created for the same.” He also opined that it was not a benevolent wealthy man, a donor , a charity minded philanthropist that was a trustee as per the Gandhian concept. Far from it “If trusteeship idea catches, philanthropy, as we know it , will disappear. (59)

### **3.6 Theoretical Concept in CSR literature.**

Several theories have been brought out by the various scholars from the practicing management leaders as well as by the academicians explaining the subject CSR and it’s integrity. Theories developed are discussed in brief here.

#### **3.6.1 Agency theory**

➤ **Agency Theory (Milton Friedman, 1970)**

He has explained that the firms overall objectives are to maximize the profit and CSR is indicative of self-serving behavior on the part of the managers and thus, reduces shareholders wealth. An agency theory perspective implies that CSR is a misuse of corporate resources that would be better spent on valued-added internal projects or returned to shareholders. It also suggests that CSR is an executive perk, in the sense that managers use CSR to advance their careers or other personal agendas. (60)

#### **3.6.2 Stake Holder theory**

➤ **R. Edward Freeman (1984),**

Freeman’s stakeholder theory asserts that managers must satisfy a variety of constituents (e.g. workers, customers, suppliers, local community organizations) who can influence firm outcomes. According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation.

Therefore Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because, absent this, these groups might withdraw their support for the firm. Broadly Stakeholder theory explains, manager and leader should tailor their policy to satisfy numerous constituents, not only just shareholders – but the stakeholders. These stakeholders include workers, customers, suppliers, and community organizations.(61)

➤ **Donaldson and Preston (1995)**

Stakeholder theory was expanded by Donaldson and Preston (1995) who stressed the moral and ethical dimensions of CSR, as well as the business case for engaging in such activity. (62)

➤ **Jones (1995)**

Jones concludes that companies involved in repeated transactions with stakeholders on the basis of trust and cooperation are motivated to be honest, trustworthy, and ethical because the returns to such behavior are high. Institutional approaches have also been used to analyze environmental social responsibility in his research. (63)

➤ **Max B. E. Clarkson. (1995)**

He presented conclusions from a 10-year research program, to develop a framework and methodology, grounded in the reality of corporate behavior, for analyzing and evaluating corporate social performance. He proposed that, corporate social performance can be analyzed and evaluated more effectively by using a ‘Clarkson framework’ based on the management of a corporation's relationships with its stakeholders than by using models and methodologies based on concepts concerning corporate social responsibilities and responsiveness. The stakeholder framework has



been derived from data contained in more than 70 field studies of CSP, conducted from 1983-1993. (64)

#### **Clarkson's Stake Holder Framework.**

He gathered case study data about 28 companies and corporations about policies, programs, and issues concerning the social and physical environments, public affairs and government relations, community relations and charitable donations, employee relations, and human resource management, as well as customer and shareholder relations. The model and, consequently, the methodology were at variance with the way in which corporations actually manage their relationships with employees, customers, shareholders, suppliers, governments, and the communities in which they operate were grouped as 'stakeholders'. The principal conclusions drawn from the research program and have been used as one of the CSR model is :

1. It is necessary to distinguish between *stakeholder* issues and social issues because corporations and their managers manage relationships with their *stakeholders* and not with society.
2. It is necessary to conduct analysis at the appropriate level: institutional, organizational, or individual.
3. It is then possible to analyze and evaluate both the social performance of a corporation and the performance of its managers in managing the corporation's responsibilities to, and relationships with, its stakeholders.

### **3.6.3 Stewardship Theory**

#### **➤ Donald Son and Davis. (1991)**

There is a moral imperative for the managers to “do the right things” without regards to how such decisions affect the firms performance. (65)

#### **➤ Hart (1995)**

The first theoretical paper to apply the RBV (Resourced Based View) framework to corporate social responsibility was from Hart (1995). Hart focused exclusively on *environmental* social responsibility. Hart asserted that, for certain types of firms, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage. (66).

## **3.7 Conceptual Strategic Models in CSR Literature.**

### **3.7.1 Pyramid metaphor of CSR - Carroll (1991) Pyramid metaphor of CSR**

Carroll developed CSR model on the argument of four pillars, According to his model of thinking CSR is made up of the following components in a bottom-up order: (Figure 4.1) (1) economic responsibility – ‘be profitable’; (2) legal responsibility – ‘obey the law’; (3) ethical responsibility – ‘be ethical’; and (4) philanthropic responsibility – ‘be a good global corporate citizen’. Despite the elegance of Carroll’s typology, it tends to assume a consistent and coherent internal logic running through the different CSR components. The typology also tends to underplay the inherent tensions and tradeoffs that exist among these components. According to rational of his model directly or indirectly, a common goal in profit seeking – these could be tangible or intangible (i.e.

branding, reputation) is visible, however still it underscores the crucial goal of business enterprises towards profit maximization.

It is the economic logic of rationality on which the modern firm thrives. (67)

Diagrammatic view of the concept has been presented in Diagram 3.1 below:



*Diagram : 3.1 Source : Carroll (1991) Pyramid Metaphor of CSR*

### **3.7.2 Economic Profit or Intrinsic Profit Model.**

#### **Berman et al. (1999) – Economic Profit or Intrinsic Profit Model**

Berman model was based on the thinking that CSR discourses are often confronted by some fundamental questions, such as: (1) should CSR be profit oriented/driven by self-interest? (2) If yes, what then differentiates CSR from other corporate reputation and brand management practices? In an attempt to answer the first question, Berman et al. (1999) developed testable models. They evolved around the two competing perspectives of economic profits and the intrinsic merits arising from satisfying stakeholders' interests. The empirical tests supported only the instrumental approach and confirmed that concern for stakeholders is motivated more by the perception that it can improve financial performance than the assumptions that firms have a normative

(moral) commitment to advance stakeholder interests and that this commitment shapes firm strategy and influences financial performance.

According to his model although the CSR construct has continued to be popular, one could argue that it is more appealing in its instrumental undertone than the normative. However, these discourses signify two major but opposing brands of the CSR movement – what could be termed the socialist and capitalist brands, respectively. The socialist camp, mainly dominated by social and environmental accountability scholars and business ethicists, is still very active and mainly uses the CSR construct from a normative perspective. Their views are not inappropriate in their own right and have their merits, as well, but because they lean heavily on not-for-profit and anti-corporatist orientations, they are often not in sync with business linguistic and cultural framing.

(68)

### **3.7.3 Ethical, Altruistic and Strategic CSR Model.**

#### **Lantos (2001) Ethical, Altruistic and Strategic CSR Model.**

Lantos identified the following strands of CSR: (a) ethical CSR, (b) altruistic CSR and (c) strategic CSR. According to him, ethical CSR is a firm's mandatory fulfillment of economic, legal and ethical responsibilities.

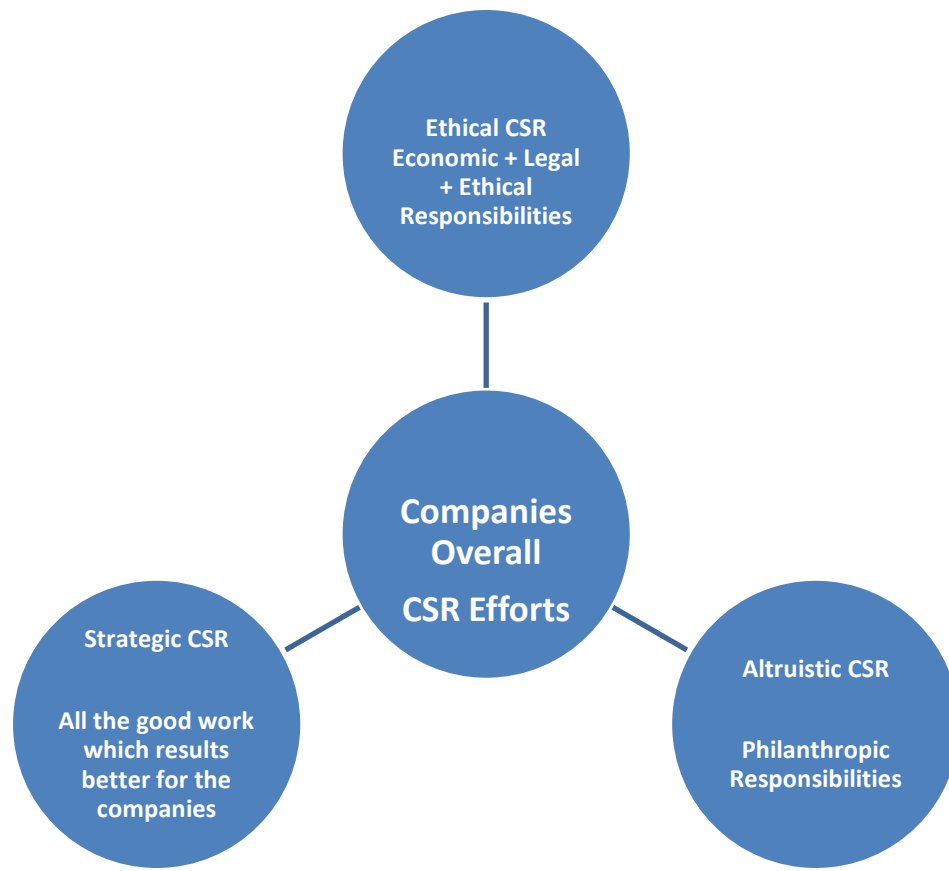
Altruistic CSR is the same as the philanthropic responsibility. Lantos argued that it would only be possible for private firms to be philanthropic and irresponsible on the part of public corporations as they do not have the right to use the funds of shareholders (who might also be involved in private philanthropy) for public philanthropy.

The emergence of CSR as a management practice is a mere attempt at reconstructing the intellectual rationalism (economic) logic using the linguistic tools of the emotional

rationalism (benevolence) logic. As such, ‘genuine’ stakeholder engagement practices, for instance, will continue to elude organizational actors and stakeholder spectators. Philanthropy often defies economic logic. Characteristic of CSR under its present construct of rational choice, organizations desirous of genuine CSR practices should aim towards super-ordinate goals, which are way beyond the dictates of intellectual rationalism.

Benevolence is a product of emotional rationalism that is not hung up on rights and reasons. It is rooted in emotions. Both the Ancient and Medieval thinkers recognized this essential part of man, but the Enlightenment era that gave rise to the current surge of intellectual rationalism tends to occlude the emotional rationalism in the business arena. In this regard, morality is touted as a managerial weakness, which should be kept outside the bullish rational capital market. This hyping of emotional rationalism as a weakness may account for managers’ and decision-makers’ lukewarm attitude towards ethics.

Strategic CSR is “Good works that are also good for the businesses. Lantos, therefore, proposed that ethical CSR, grounded in the concept of ethical duties and responsibilities, is mandatory; concludes that strategic CSR is good for business and society; and advises that marketing take a lead role in strategic CSR activities. In a similar line of thought, The Economist recently presented varieties of CSR as shown in Diagram 3.2 (69)



*Diagram : 3.2 Lantos (2001) : Ethical, Altruistic and Strategic CSR Model*

#### **3.7.4 Five Forces Model as CSR drivers**

##### **Vicky Pryce (2002) - Five Forces Model which will drive CSR**

Vicky Pryce has expressed five forces which will force the CSR activities in the organization. He argued Corporate social responsibility (CSR) has moved rapidly from off-stage to centre-stage. This has been driven by five forces: which are as follows.

##### **Force 1: Customer Pressure**

He expressed that, the Millennium Poll of 25,000 consumers in 23 countries reports that consumers care more about the perceived corporate responsibility of their supplier or shop than about either brand or price, as well as the high-profile consumer boycotts of

big brand names. Which pressurized brands like Nike, Shell and Ford to focus on a range of issues, from the environment to child labor to claims of racism.

### **Force 2 : Change in Business Procurement**

There has been a rising trend in checking suppliers for some element of ethical performance; Nike's child labor scandal forced the company into an audit of its suppliers, and British Airways had carried out a survey to check out its suppliers' ethical policies. These changes are being driven by ethical investors, activists, and companies themselves with a view to extending responsible behavior beyond a plaque on the wall in head office into some form of reality.

### **Force 3: Pressure from the Government.**

Screening of suppliers for responsible behaviors will impact on many businesses as direct suppliers and down the supply chain. In addition, the changes in the law and the combined codes are pushing CSR firmly onto the corporate agenda.

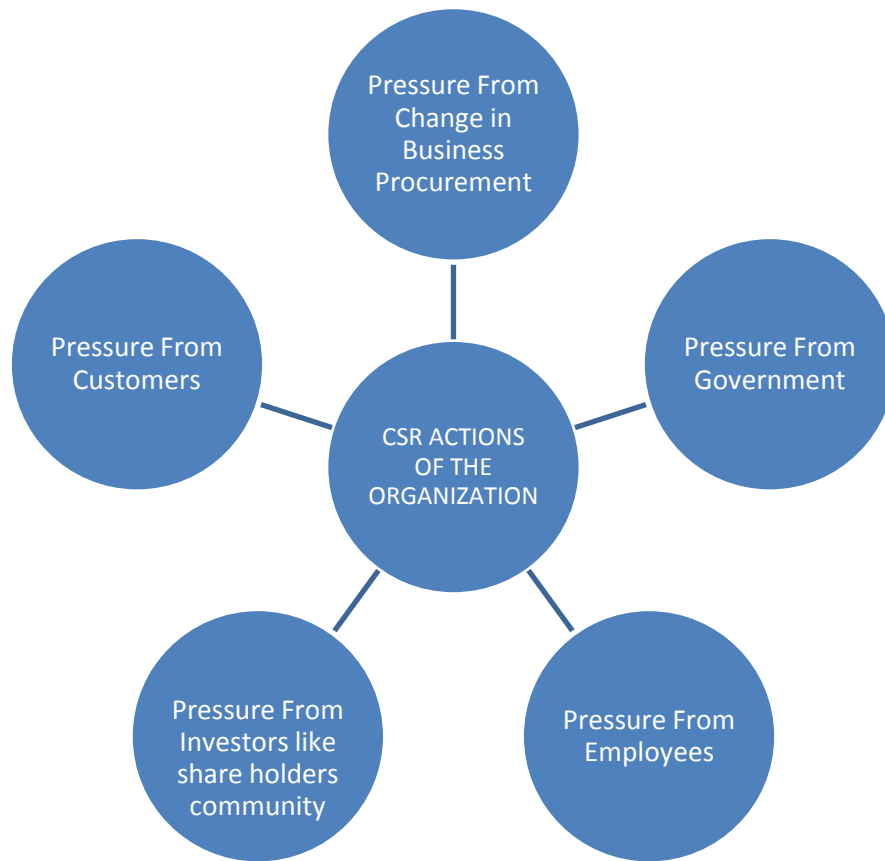
### **Force 4: Expectation from Investment Community ( Share holder)**

The investment community is also exerting pressure on companies to act responsibly.

### **Force 5: Pressure from the Employees**

Employees will be putting pressure on the companies to behave responsibly that CSR is becoming a part of recruitment strategy as businesses seek to attract and retain the best people. (70)

Diagrammatic view has been represented in Diagram 3.3 below :



***Diagram. 3.3 : Vicky Pryce (2002) Five Forces Model of CSR Drives***

#### **3.7.5 PPP Model for Development.**

An increased role for public-private partnerships (PPPs) in the developing world was one of the most novel outcomes of the World Summit on Sustainable Development in Johannesburg in 2002. The United Nations (UN) Global Compact encourages companies to participate in partnership projects with UN agencies and civil society organizations. It has been widely recognized that the private sector must be involved in development cooperation to achieve the development objectives of the international community – not least to eradicate poverty in all its forms. The importance attributed to



the private sector reflects a remarkable shift in the perception of its potential. This change in outlook has been largely driven by globalization exposing national differences in labor standards, rights and responsibilities, while drawing attention to the severe social and environmental problems facing developing countries.

Corporate social responsibility, i.e. the individual business incorporating social and environmental considerations into its strategy, has thus begun to feature prominently on the development agenda. This has gathered special momentum since the United Nations Secretary-General Kofi Annan launched the Global Compact principles for good business conduct in 2000, advocating the strengthening of human and workers' rights, greater emphasis on environmental protection, and measures against corruption. The Global Compact encourages businesses to engage in partnerships with the public sector and civil society in order to implement its principles and contribute to the achievement of the Millennium Development Goals.

The PPP programme supports the growing number of private companies and organizations who are committed to promoting corporate social responsibility. These agents see corporate social responsibility as an opportunity to make a difference, e.g. by promoting better working conditions for employees, while benefiting the company in terms of reduced staff turnover, greater transparency and business expansion.

While the number of PPPs and intergovernmental backing for these initiatives are significant, current days academic research is focused on the fact that, we still need to know more about their effects in the last five years. **(71)**

---

## **Section - II : Social Responsibility Of Business : Historical Perspective Critique and Empirical Research Results.**

---

### **3.8 Prologue**

CSR is rapidly gaining corporate mindshare with a growing number of companies in almost every sector of business are adopting CSR principles and are launching CSR initiatives. The companies have realized that there exists interdependence between the business and society and that they can and should play an important role in their communities—and across the nation and around the world—while making a profit. This is one step forward from the popular belief that the sole purpose of companies is to increase shareholders' value. Today, many business leaders are realizing that CSR could be a viable component of their overall business strategy. They have, therefore, started considering CSR strategy as important as other vital components of business strategy and started weaving their CSR strategies with their branding and marketing.

A recent survey carried out by the IBM Institute for Business Value on a group of 250 business leaders worldwide found that more than two-thirds (68 percent) were focusing on corporate social responsibility activities to create new revenue streams. In addition, more than half (54 percent) of the surveyed business leaders believed that their companies' CSR activities were giving them an advantage over their top competitors. According to IBM's report on these findings, "When aligned with business objectives, companies are beginning to see that CSR can bring competitive differentiation, permission to enter new markets, and favorable positioning in the talent wars." Michael Porter and Mark Kramer proposed a new way to look at the relationship between business and society, a way that unifies company philanthropy with the management of

CSR efforts and embeds a social dimension in their core value proposition. CSR for VLCC, well-being of the society is well-being of the organization, and thus service to society is a viable business model. It directly attempts to eradicate obesity and educating people about the curse that it is.

### **3.9 Social Responsibility of Business : An Indian Historical Perspective**

The concept of social responsibility is not alien to the Indian soil. As a matter of fact, it is deeply rooted in the Indian Culture. From the inception of business in India, the concept of social responsibility of business was reviewed from the religious or moral aspect rather than a “Philosophy of Management”.

CSR concept has evolved time to time in Indian history from Vedic era to Modern day business. For the sake of study it has been categorized under following broad heads.

#### ***(1) Vedic Period (Approximately 1500 B.C. to 500 B.C.) And Post Vedic Period. (Approximately 500 B.C. to 1000 A.D.)***

The very first verse of the ishopenishad epitomized the entire philosophy and culture of India by saying:

“The entire universe and all that exists is abode of the almighty. Enjoy the good things of life by sharing them with others. Do not covet the possession of others.”

The moral code of Hinduism contains those element common to the human race. It condemns lying, stealing, murder, injury, adultery, slander, gambling and drunkenness.

The teaching of “Mahabharata” also has emphasis on social welfare and this is noteworthy, “whatever is not conducive to social welfare, or what we are likely to be

ashamed of, never do.’ It also stressed on ethical and moral principles in statecraft and in the life generally.

Post -Vedic period in the India was a golden phase for the country and it was the era of a king and leaders like Chandragupta Maurya , Kautilya (Chanakya), King Ashoka etc. Chandragupta was known for his statesmanship and generosity. His success was largely due to his strict adherence to the principle of statecraft. Kautilya (Chanakya) was the brain behind the rise of Chandragupta dynasty. King Ashoka was a great philanthrop. After a war of Kalinga, he gave a new dimension to the political philosophy to his empire by spreading the light of Buddhism which is greatly concerned with the welfare of the people. His leadership stressed upon – “Information about his people all the time and all the hour, he believed that – I must work for the common welfare. Ashoka’s style can well be equated with the socially responsible manager of those days – i.e. a person who cares for people.

During the Vedic and Post Vedic period Social Responsibility was more a spiritual thinking being spread by the various religions and it was more or less spreading of doing good things and not doing bad things. It was more spread by the religious Gurus or Leaders. (72)

***(2) Medieval (Approximately 1000 A.D to 1600 A.D.) and Pre- Independence Period. (Approximately 1600 A.D to 1947 A.D.)***

With the establishment of Mugal rule in the country, the entire political and economic life was given a different outlook. As Mugal emperors were the followers of Islam, their policy of statecraft was largely based on the tenets of Islam. Islam encourages

almsgiving, hospitality, truthfulness, humanity to slaves, justice for orphans, prohibition on consumption of alcoholic beverages etc.

Concept of Corporate Social Responsibility has been clearly visible in the leadership of the rulers like Allah-ud-din-khilji, Sher Shah Suri, and Akbar the great of that period. Allah-ud-din-khilji introduced many changes in the marketing practices, like lowering prices for essential goods and commodities. Sher Shah Suri had a great sense of public welfare and he was considered to be a benevolent ruler. King 'Akbar' was not only a powerful monarch but also an enlightened as well as benevolent despot. Akbar started the practice of being accessible to the common businessman, He was very particular about the public welfare and fair trade practices. In the medieval era, when there were any natural calamities, the leading businessmen of the area would literally throw open their go-downs and their treasure chests to provide food and other aid to the needy ones. There is a glaring example of Bhama-Shah helping the king Maharana Pratap of Chittor when he was fighting a lone battle with Akbar.

It is important to note that during the medieval era, in India traders and bankers enjoyed the wide prosperity and were held in high esteem, and there are countless examples of the help from the business communities (Nagarsheth) help to the society at the time of natural calamities, disease, protection etc.

With the advent of European rule (British, French and Portuguese) in the 18<sup>th</sup> century in India, Christianity flourished in the country. It too influenced the socio-economic life of the country. Christianity emphasis upon the inner character of man, his motives, will and desire. With regards of the property they contend that it is not an absolute right, and it can be justified only to the extent that welfare of the community is served. They

did emphasize the need for public regulation and of competing centre of power such as Cooperative organizations and labor unions.

However, in the 18<sup>th</sup> century when the business was literally captured by the Britishers and the Portuguese, and it had to face greater hardships. To keep business on the toes many unfair practices were developed by the traders. Mortality rate of the Indian industries rose considerably during 1800 to 1900.

Independence movement in India was at its pick at the end of 19<sup>th</sup> century and in the beginning of the 20<sup>th</sup> century. In spite of unfavorable attitude on the part of Britishers during the era, from 1900 to 1930 revolution started in Indian business. Politics and Business joined hands in this time frame. In 1919, Gandhiji urged capitalist “To function as trustees”. (73)

### ***(3) Post Independence Period. (1947 A.D .onwards)***

India's historic freedom struggle was characterized to a great extent by concern for the problems like mass poverty, protection for farmers, artisans, inflation, the need for industrialization and reconstruction of entire socio-economic life. In post independence the image of Indian business leaders was under the criticism for not being sensitive to the society. On one hand the business was and have been resting on the hoarding black marketing, adulteration, profiteering, unethical practices etc, on the other hand social responsibility concept was also emerging during that phase out of all the darkness. Business leaders like Shri. Arvind Mafatlal had remarked that “Businessmen and industrialist should discharge their social responsibilities on a scale and on such diverse lines that they would go beyond the requirements of various law of the country.”

A group of the business leaders started believing that “The tarnished image of the private business can be improved and brightened only if it discharges social responsibilities honestly and as a matter of fact a moral duties.”

Mid-seventy onwards Social responsibility of business has remained central business concept among the businessmen, researchers and academicians. (74)

### **3.10 Social Responsibility of Business : A Critique.**

Almost year before the SATYAM fraud case , company had won high ratings in the CSR activities and Corporate Governance areas, similarly M/s Enron also had won the race as a socially responsible corporate before it really got closed down.

#### ***Certain Facts Recorded about CSR of Satyam Computer Service Limited***

- *Satyam winner of business world FICCI CSR award in 2005.*
- *Foundation has 2500 registered volunteer and formed several team working in different project.*
- *Satyam is world largest blood donor among various IT co.*
- *It has adopted several schools to help in providing quality education to approx 50000 students.*

These arguments and facts have raised lots of debate and questions against CSR policies and thinking. On one hand post 1990 CSR has become inclusive tool to strategic management and corporate leadership thinking, on the other hand lots of empirical research is going through the world on the CSR thinking of the various corporations in various countries , their approaches and implementation studies as well as in last five years lots of attempts were made by the researches and academicians to

know the impact of CSR efforts of the companies in to the society as well as their impact on the companies efficiency and performance. 21<sup>st</sup> century has lead to empirical research and relooks in to the whole concept of the CSR. Literature of CSR presents following critique on CSR.

### **Critiques On CSR Research**

#### **➤ McWilliams and Siegel (2000)**

McWilliams and Siegel have exclusive research work done in the area of CSR and they have critiqued the use of the event study methodology to measure the consequences of CSR. The authors reported that the findings of event studies of CSR appearing in top management journals were unreliable, due to serious flaws in the research design and implementation of the event. They also cautioned that the use of stock price as a metric for performance is not appropriate for studying CSR. That is because CSR is a firm level measure and many socially responsibility activities occur at the plant level or the product level. Another concern is that an analysis of stock price effects only relates to financial stakeholders and it is clear that non-financial stakeholders are also affected by CSR activities. (75)

#### **➤ McWilliams and Siegel (2001)**

They challenged the conventional regression model used to assess the relationship between corporate social performance (CSP), which is often used as a synonym for CSR, and firm performance. They noted that the typical regression equation estimated was misspecified because it did not include two key variables: the level of research and development (R&D) spending and advertising expenditure. Both of these variables have been shown to be determinants of firm performance and, because all three (R&D,



advertising, and CSP) are elements of a differentiation strategy, they hypothesized that R&D and advertising would be correlated with a measure of CSP. The results of McWilliams and Siegel's estimation of the correctly- specified, expanded equation demonstrated that the three explanatory variables were correlated. Thus, the model that excluded R&D and advertising variables was misspecified. Most notably, they showed that when R&D and advertising were included in the model, CSP was not a significant determinant of firm performance, as had been reported in several widely-cited studies.

(76)

### **3.10.1 . Arguments For CSR**

A number of companies in India are having a long tradition of philanthropic and community programmes. As Indian companies are growing global many corporate houses ownership is becoming distinct from management. This coupled with other socio-economic, regulatory pressures has resulted in a shift from corporate philanthropy to corporate social investment [CSI]. The Centre for Social Markets [CSM] undertook a survey in 2000-01 to list the main factors driving this attitudinal change. The following drivers, (Table 3.1) listed in the order of the response, emerged from the survey:

**Table 3.1 (CSR Benefits )**

Increasing awareness	69%
Reputation	52%
Rising Domestic standards	49%
Rising international standards	46%
Commercial pressure	41%
Domestic	41%
Public opinion	30%
Community group pressure	20%
Others	10%

Source: www. Csmworld.com (77)

Some of the business benefits, which can be associated with CSR in the Indian context, are listed below: (empirical results study of CSR effectiveness)

**(a) CSR Improves Financial Performance and Reduces Operating Costs**

The adoption of a sensitive attitude towards the community forces businesses to strive for environmental improvements, for adopting eco-friendly measures using less energy and material, and for re-organizing production processes, material flow and supplier relationships. A project undertaken by Tata steel to separate waste, costed the company Rs 100 lakh in the first year, but selling the waste earned it Rs 20 crore.

**(b) CSR Enhance Brand Image and Reputation**

In an online poll conducted by The Economic Times on 5-6 January 2007, 75 percent of the respondents opined that CSR activities increase the brand equity of a company. Branding of products, especially in the context of consumer products, gets an immense boost through social messages. Examples can be Lifebuoy's "Little Gandhi" and Surf's "Save two buckets of water".

**(c) CSR Increases Customer Loyalty and Sales**

Consumers not only want good and safe products, but would also like to know that what they buy was produced in an environmentally and socially friendly way, and sometimes even willing to pay more for such products which are made in such a social and environment friendly manner. Example can be HUL donating Rs. 1.50 lakh cakes of lifebuoy through UNICEF and other NGOs during the floods in Mumbai in July 2005. The goodwill and brand image that HUL earned with this small donation would much more than that earned by the insertion of a 20-second advertisement slot.

#### **(d) CSR Increases the Ability to Attract and Retain Employees**

CSR creates a dedicated workforce with high levels of self – accomplishment. People take pride in themselves and their company. A spirit of volunteerism is encouraged amongst colleagues and morale is being boosted, self-worth is being built and team spirit is fostered. Mahindra and Mahindra has introduced Employee Social Options through which a workforce of approximately 25,000 people employed at Mahindra & Mahindra could extend help in any of the social projects run by the company.

#### **(e) CSR Leads to Reduce Regulatory/Activists Oversight**

The greater commitment a business house shows towards CSR, the more lenient are governments and regulators with it. Recently the Ministry of Labour, Government of Uttar Pradesh, announced its decision to exempt businesses having SA8000 certificate from several inspections.

#### **(f) CSR Reduces Risk Thereby Facilitating Easier Finance or Access to Capital**

Businesses that show an environmental tend to be viewed as being less risky than those that do not, as that can translate into cost prevention, reduced interest rates, reduced legal and regulatory costs. In a circular issued on 20 December 2007, the Reserve Bank of India (RBI) has asked banks to put in place a suitable and appropriate plan of action towards helping the cause of “sustainable development” with the approval of their boards. (78)

### **3.10.2 Arguments Against CSR.**

#### **(a) Profit Maximization:**

**Friedman (1970)** in his much referred article *The Social Responsibility of Business is to Increase Its Profits*, he reports “In a free enterprise, private-property system, a

corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law those embodied in ethical custom” (79)

**(b) Costs of Social Involvement**

Pursuit of social goals cannot always give economic benefits to the business, and so someone must pay for them. Given that businesses have to use their economic resources wisely, it cannot commit major portions

**(c) Lack of Social Skills:**

Businessmen and corporate executives might be competent at economic matters but not necessarily in social matters. So given their poor qualification for the job of dealing with social problems, should they be given the job?

**(d) Dilution of Business's Primary Purpose:.**

The firm might realize that looking to solve social goals may cause dilution in the business's primary responsibility, economic productivity, and society may get confused about its economic role.

**(e) Weakened International Balance of Payments:**

If costs of social programmes are too high, this will add to the product cost of a company and in the international market such companies will suffer in terms of competitiveness.

**(f)Lack of Broad Support:**

Business activities in the solving social problems might not be accepted by all sections of society and could cause friction amongst people **(80)**

**3.11 CSR and Empirical Research Results.**

**3.11.1 Research Relating to CSR and Marketing Functions**

Should CSR activities, communicated to the consumers really generate profitability and business for the companies? Or it is treated negatively by the consumers? What is the impact on the Marketing Mix of the companies of CSR activity or responsible behavior of the company? Several researches has been reviewed in this area as follows.

➤ **Corporate Social Responsibility and Concepts : (Phillip Kotler , 2005)**

Six major types of Corporate social initiative, the most effective once and specify how companies could integrate such initiatives in to the current corporate strategies are ,

(1) Cause Related Marketing – CRM, (2) Cause Promotion (3) Corporate Social Marketing. (4) Corporate Philanthropy (5) Community Volunteering (6) Socially responsible business practices. **(81)**

➤ **Hovland and Weiss. ( 1951)**

In their research they have shown that the choice of the source is highly important while communicating CSR activities in integrated marketing communication (IMC), they have shown that the attitude change (in the direction advocated by the message ) is much stronger when the source is perceived as highly credible when the source is not as credible. **(82)**

➤ **Quattrone and Tversky (1984)**

On attempt to study on, what specific motivations that drive the decision to purchase a CSR – associated product, they have found out that people often engage in behaviors in order to signal to themselves that they possess a particular desire trait, even when there are no social incentives. (83)

➤ **Holt (1995) , Glazer and Konrad(1996)**

Holt founds that consumers product choice sends the social signals regarding their personality attributes, similarly Glazer and Konrad examine the role of social signals in the realm of charitable behavior. Their model implies that purchasing CSR- Associated products, is a specific method of making charitable donations – should also serve as a social signal. (84)

➤ **Varandarajan and Menon (1998)**

They categorize CRM among CSR initiatives that “Do Better by Doing Good.” In other words, CRM not only increases the company’s revenues but also contributes to societal welfare. They defined CRM as: ‘The process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives.’(85)

➤ **Quattrone and Tversky (1984)**

On attempt to study on , what specific motivations that drive the decision to purchase a CSR – associated product , they have found out that people often engage in behaviors in order to signal to themselves that they possess a particular desire trait , even when there are no social incentives. (86)

➤ **Sen and Bhattacharya (2001)**

Most companies than ever engage in CSR activities , however the research by the Sen and Bhattacharya , shows that communicating about CSR activities does not necessarily results in positive business effect always for the companies.

Furthermore, it shows that the companies that are criticized the most in the area of CSR are also the ones that are the criticized the most. However it is also found in their research that, products with a CSR-association are extremely popular among the consumers. (87)

➤ **Mohr, Webb and Harries (2001)**

They report in their research that, many consumers are cynical about the positive things described in the media and commercial sources of information. Sources controlled by the companies are likely to be considered as less credible and less trust worthy than the sources controlled by the consumer association. (88)

➤ **Swaen and Vanhamme ( 2003).**

They hypothesized that CSR activities of the company communicated via consumer-controlled source of information are likely to have a larger positive impact on consumers' attitude than CSR activities communicated via company controlled sources (Hypothesis 1) and Negative information about the Company's alleged irresponsible acts will come across as more discrepant, and may result in more negative judgments. (Hypothesis 2) Their study and research results clearly highlighted that using a source that is not perceived as controlled by the company increases the positive impact of CSR campaigns on consumers' attitudes. Not only that the choice of right source may even lead to has better out come than using CSR arguments. Their research also confirmed

that accusations of irresponsible acts by the company – whatever sources is used – do lead to a strong deterioration of the consumers’ attitude. However research also showed that, even if CSR campaigns do not necessarily lead to better outcomes for the company, in the short run but they may still partially protect the companies facing the crisis. (89)

➤ **Satya Menon and Barbara E. Kahn ( 2003)**

They examined the benefits to a corporate sponsor of two types of philanthropic activities cause promotions and advocacy advertising. They found that “Higher congruence between the philanthropic activity and the sponsor brand will result in more positive perceptions of CSR for the sponsor for cause promotions and lower perceptions of CSR for advocacy advertising.” (90)

➤ **Zeynep Gurhan-Canli and Rajeev Batra (2004)**

Their research results from 3 laboratory studies indicate that perceptions of corporate social responsibility (CSR) are affected by consumers’ elaboration levels. Consumer perceptions of CSR are more favorable for cause promotions, which do not receive much elaboration, than they are for advocacy advertising, which prompts more elaboration. In addition, perceived congruence between the sponsor and the social issue is shown to moderate these effects. They also found that higher congruence enhances CSR ratings if participants are primed to focus their attention on the sponsor brand, whereas lower congruence enhances CSR if participants are primed to focus their attention on the social issue. (91)



➤ **Yeosun Yoon, Zeynep Gürhan-Canli, Norbert Schwarz (2006)**

Based on theories of attribution and suspicion, they carried out three experiments. The results highlight the mediating role of perceived sincerity of motives in determining the effectiveness of CSR activities. CSR activities improve a company's image when consumers attribute sincere motives, are ineffective when sincerity of motives is ambiguous, and hurt the company's image when motives are perceived as insincere.

(92)

➤ **Stephen Pavelin and Stephen J. Brammer (2006)**

In their research utilizing data on a sample of large firms, they estimated model of corporate reputation. They found reputation derived from the assessments of managers and market analysts, to be determined by a firms' social performance, financial performance, market risk, the extent of long-term institutional ownership, and the nature of business activities. The reputation effect of social performance was found to vary both across sectors and within sectors across the various types of social performance. Their research demonstrate there is a need to achieve a proper 'fit' among the types of corporate social performance undertaken and the firms' stakeholder environment , like a strong record of environmental performance may enhance or damage reputation depending upon whether the firms' activity 'fit' with environmental concerns in the eyes of stakeholders. (93)

➤ **Aronate Bennett & Amitav Chakravari. (2006).**

They found in their attempt of understanding what specific motivations that drive the decision to purchase CSR- associated product, concluded in their research that, when product did not have CSR association, they were evaluated equally regardless of social

signaling potential. However when products had a CSR association not only was evaluated more favorably high in the social signaling potential but also the low social signaling potential condition actually lead to lower evaluations than the no CSR association conditions. They also concluded that the valuation of a CSR – associated product is jointly determined by its social and self signaling potential.(94)

➤ **Xiaoli Nan and Kwangjun Heo. (2007)**

In their research paper ‘Consumer Responses to CSR initiatives’ they tried to discover ‘Does an ad with a CRM message elicit more favorable consumer response compared with a similar ad without CRM component?’

In their research they found positive impact of favorability of advertisement with CRM message than without. They found addition of a CRM component regardless of high or low brand / cause fit , is beneficial in that it enhances the sponsoring company’s overall image.(95)

➤ **Shuili Du, Sankar Sen and C.B. Bhattacharya (2007)**

In their research they examined the social and business benefits of a CSR initiative and explicate the link between the social and business benefits. Social benefits refer to the impact of a CSR to the society and the business benefits include both transactional outcomes such as purchase, and rational outcomes such as consumer advocacy behaviors towards the company / brand etc. Their research highlighted the role of social benefits as a key antecedent to the business benefits of CSR initiative, showing social and business interests can be complementary. They have also provided a process explanation of how CSR initiatives generate business benefits. They concluded by stating, CSR initiatives yield business benefits via cultivating consumer trust, increasing

consumer purchase and advocacy behaviors and thus improving the long term business prospects of the sponsoring company / brand. (96)

➤ **Remi Trudel and June Cotte, (2009)**

In a combined research for with BCG group, Remi trudel and June Cotte reports that, Consumers may say that they like the idea of purchasing ethically produced goods. But will they pay more for it? If yes, How much more? Their findings are, yes, customers will pay a premium for the ethically produced goods. Conversely, they will punish companies (by demanding lower price) that are not seen as ethical. The punishment exacted is greater than the premium customers are will to pay. The other finding was companies need not to be 100% ethical to be rewarded. For their research they had conducted series of experiments like, Coffee drinking adults were randomly divided into three groups, and given three different messages. The second experiment was potential consumer of cotton T-shirts were divided in to the five random groups. (97)

**3.11.2 Research Relating to CSR and Human Resource Functions**

➤ **Rajrishi Singhal (2005) Learning to make profit with clean conscience**

He quotes in his article “ONCE upon a time”, it was guaranteed to generate more skepticism than create goodwill. Today, it has become a genuine article of corporate faith. It is what companies, their shareholders and stakeholders feel is the right thing to do. Things have changed enormously over the past decade and the earlier cynical approach to good corporate behavior is now slowly giving way to genuine belief that improving society while looking after the bottom-line are not necessarily mutually antagonistic. The two can cohabit the same balance sheet.

But, in comparison, attempts by many consumer product companies to try their hand at “responsible” or “ethical” marketing are being met with derision. Customers feel companies are resorting to cheap, tugging-heart-strings campaign and strategies to boost sales, barring a few examples. Many companies also realized that only PR spin does not win hearts.” (98)

➤ **Hardeep Chahal and R.D.Sharma (2006)**

**“Conceptual Frame Work Supported by Research.”**

“With broad understanding of CSR as (CSR) means firm’s obligation to protect and improve welfare of the society and its organization, now as well as in future, through its various business and social actions, and ensures that it generates equitable and sustainable benefits for the various stakeholders”.

They worked in the area of understanding implications of CSR on marketing performance and also presented a conceptual frame work in their research as explained below. The main objective of their paper was to build grounding for analyzing the impact of CSR on various marketing performance measures through various propositions based on antecedents and consequences of business and social actions.

Economic, relationship and social goals are used to analyze the impact of CSR on the specific measures to be achieved under these goals. The profitability, sales value and market share for economic goals; consumer satisfaction and retention, employee satisfaction and retention, shareholders satisfaction and retention and channel partners satisfaction and retention for the relationship measure and lastly cost and benefit analysis of type and number of social activities (community development, cause-related,

philanthropic, environment supportive and co-opting activities) and social return on investment for the social measures.

*Their main hypothesis was: Higher the degree of integration among CSR antecedents, higher will be the marketing performance measures, CSR image, brand equity and competitive advantage.*

They concluded from their research that Corporate Social Responsibility is being considered as a marketing strategy, which adds to the knowledge of managers and provides broader benefits to their companies. Image and building corporate brand equity. The introspection of organization culture, human resources capital, product/services capital and regulatory environment can help the managers in understanding the impact of CSR in strengthening the relationship with stakeholders, enhancing corporate reputation and ultimately economic/ financial performance. On the contrary, poor monitoring over CSR antecedents and their relationship with economic, social and relationship measures or absence of CSR investment or wrong portfolio investment in CSR can damage company's reputation, and create misunderstanding and wrong perceptions about the company's offering. (99)

### **3.11.3 Family Business and CSR.**

In the 1970s, Swedish capitalist families were under lots of pressure. Following the left-wing movement that swept across Europe, claims were made that these families made excessive financial gains at the expense of their workers. In particular Wallenberg family, which controlled companies like, Electrolux, Saab, and Ericsson, was criticized the most. Since than many things have changed, Family firms like TATAs in India,

associate their personal values with the corporations and Corporations values are associated with the family values. Not only that it is firmly believed that it's not only in the interest of the workers and the society that family firms behaves more socially responsible but it in turn benefit the organization and the family owners too.

➤ **Jensen & Meckling , (1976) – Agency Theory.**

According to this theory, monitoring and possibility of enforcing sanctions are used as means of restricting opportunistic behavior. If either of these elements is missing so that behavior is not monitored, or if it is impossible to enforce sanctions in case of unwanted behavior, opportunism will result. Institutional owners are faceless, represented by hired company officials, and their investments are liquid. Attempts to enforce sanctions against them are difficult. Owners of the family firm on the other hand, have their wealth in to firms, hence public sanctions can be more easily enforced. (100)

➤ **Dyer and Whetten (2006).**

In developing conceptual argument and relationship of family business with CSR, they relied on several theories that address family ownership and family management. In their research carried out on family firms, they found indication that family firms do not engage more in positive social initiatives but to a greater extent refrain from actions that could be regarded as socially irresponsible. Three aspect of family business thought to be particularly important in enhancing or reducing CSR. Firms can vary in their degree of family business along these dimensions. First is the degree of family Government, (degree of unification) – Higher the degree of unification – the more the family is likely to instill values, identity and identification in the firms and greater its ability to enforce the policy. The second dimension relates to the share of the family's wealth tied to the

performance of the firm in question, and the third dimension is relates to the ability of the family to liquidate its investment in the firm. The later two dimensions affect the severity of the penalties that can be enforcing against the family by the society. (101)

#### **3.11.4 Corporate Governance , Human Resource Management and CSR.**

A recent study conducted by Financial express indicates, an employee want to remain associated with the organization with good corporate governance based organization, 78% of the people have expressed their willingness to work for an ethical organization that to receive a higher salary from the company which has a reputation of doing unethical means. Durham based organization in England, Northumbrian Water, one of the top environmental service companies supplying water and waste water services has introduced “just and hour” scheme to provide its employees with the opportunity to get involved with their local communities. The scheme allows all their employees to devote a minimum of 12 hours of paid time to devote to a good cause of their choice.

#### **➤ Mark Orlitzky and Diane L. Swanson. (2002)**

In their research paper, ‘ Value Attunement : Toward a theory of socially responsible executive decision making’ They extended Swanson’s(1999) model of argument and their proposition that executives’ receptivity to values is key to aligning corporate behavior with broad-based expectations of responsible conduct. Their research agenda suggests, redesigning organizations to reduce the chain of command, a recommendation consistent with the notion that layers of hierarchy often discourage open discussions and encourage habitual misinterpretations of messages. They also suggest that the credible

theory of corporate social performance must come to terms with cultural differences across national boundaries. (102)

➤ **Andrew Pendleton and Simon Deakin (2004).**

They reviewed the relationship between corporate governance and workplace employment relations drawing on the Workplace Employment Relations Survey -2004 (WERS-2004). They had emphasized on the analysis and the use of WERS surveys and in their study they had outlined the changes made in the WERS 2004 and analyzed its outcomes. They concluded with the recommendations for further changes to be made in WERS surveys for the most effective usage and outcomes in their research papers. (103)

➤ **Jane Collier and Rafael Esteban (2007)**

In their research paper ‘CSR and employee commitment’ they note, “CSR is not an optional extra. All business, particularly those that operate transnational levels, is responsible not only for the ethical conduct of their operations but also for their impact on all their stake holders now and generations to come. Their research papers draws to the fact that it is not enough to have mission statements and codes of ethics. It is necessary for ethics to become embedded in the cultural fabric of the business as well as in the hearts and minds of its members, those who are responsible for strategy and direction need to respond to the challenge of enabling and nurturing employee commitment to CSR so that the business develops an integrative CSR culture where social responsibility becomes a central plan in the collaborative search for the common good and a sustainable future. (104)



➤ **Stephen Brammer, Andrew Millington and Bruce Rayton, (2007)**

Their study investigates the relation between organizational commitment and employee perception of CSR within a model that draws on social identity theory. Specifically they have examined the impact of three aspects of the socially responsible behavior on organizational commitment: employee perceptions of CSR in the community, procedural justice in the organization and the provision of employee training. **(105)**

**3.11.5 Research Relating to CSR and Economic Performance**

➤ **Profit, Economic Performance and Social Responsibility.**

Concept of CSR was started around 1950. In early seventies attempt was made to interlink the profitability and economic performance with CSR activities, it has remained important dimension, whether profitability and economic performance has any relations in companies behavior in discharging their social responsibility ? Or CSR practices have remained only a domain of large corporation houses only? Various concepts, understanding and research in the subject area are, are describe in brief as under.

➤ **Milton Friedman ( 1970) .**

“ The social responsibility of the business is to increase the profit .“

Based on the above understanding of the business the measure for the success of the performance of the corporation was being measured in terms of the maximum “ Net Profit” earned by the firm. **(106)**

➤ **Malkeil and Quandt (1971) and Shapiro (1973)**

Studied the performance of “clean” mutual funds, these purchasing securities only of the corporations they consider to be socially responsible. If social responsible is good, their business performance is to be attractive. They found negative association between economic performance and social responsibility. **(107)**

➤ **Dagher and Samir (1980)**

They measure the attitude of business executives both of large and small companies, towards profit. In a survey of chief executives of the Fortune 500 companies, 80% of the respondents indicated that the highest ethical duty of corporate president was to make a profit but at the same time meeting society’s needs by using the most fair and human means. According to Margolish and Walsh (2001) the first study was published in the year 1971 by Narver. Several studies have been done to test the impact of the socially responsible behavior of the firm to the short term financial performance. They are mixed results at different time periods. **(108)**

➤ **Wright and Ferris (1997)**

They discovered the negative relations on the short run financial performance of the firm when the firms engage either in socially responsible or irresponsible acts. **(109)**

➤ **Posnikoff (1997 )**

Have found there is a linkage and a positive relationship on the financial performance of the firm, when they are socially responsible in their acts. **(110)**

➤ **Welch and Wazzan (1999)**

Their study didnot find any co-relations between CSR and financial performance.

However many observation and research has been made have a validity of the statement that CSR also helps in reducing cost and improving operating profits at a longer run.

Like a project under taken to separate waste in Tata steel cost to the company Rs. 100 Lakh, ( Case study : Sanjay K. Agarwal) in the fist five years , as invested in 400 bins.

But selling the waste earned it Rs. 20 Crore. **(111)**

➤ **Mac Williams and Siegel ( 2000)**

They used the regression analysis to check the co-relations between CSR activities and financial performance of the firms using and overall firm level index of CSR- KLD data. Their research could find out that there is a “natural” relation between firms CSR performance to the firms profitability. A study in UK shows that “ stake holder balanced” companies registered four times the growth rate and eight times the employment growth as compared to companies that are only “share holder focused”.**(112)**

**3.11.6 Social Reporting**

***EVA (Economic Value Addition) and TBLR ( Triple Bottom Line Reporting).***

EVA (Economic Value Addition), ( Stern Steward & Company , 1982).

This concept believes that accounting profit is the best measure of calculation of the taxable income of the firm but not the correct index for the measurement of Economic Profit. The Stern Steward & Co. gave the new dimension for measuring the firms efficiency is EVA.

***EVA = Earning before Interest and Tax (EBIT) – Opportunity Cost of Capital***  
***( Cost of Capital = Cost of Equity + Cost of total Debt.)***

**TBLR – (Triple Bottom Line Reporting).** (John Elkington's Publication, 1997).

Corporations wishing to create sustainable wealth on long-term basis have to pay equal attention to all of the following three parameters.

(a) People (b) Planet (c) EVA (Wealth Creation).

Consistency in EVA (Wealth Creation) is the ultimate objective of the firms resting on the two basic pillars (1) Discharging social responsibilities towards the people and the society and (2) Upgrading Natural Environment and Ecology. **(113)**

➤ **Dr. Madhav Mehta (WCCG) World Council of Corporate Governance. (2003)**

“Expanding your horizons to care for the long-term societal needs has to be the key element of human efforts and indeed the main challenge to leadership, the main role of leadership has to shift from production at any cost to protecting the environment.”**(114)**

➤ **Maria Jesus Munoz-Torres, Maria Angeles Fernandez Izquierdo and Maria Rosario Balaguer (2004)**

In their research paper they have emphasized on the concepts like ‘social responsibility investment’, (SRI) or, ‘ethical investment’. The concepts demonstrate the existence of a new financial situation whose policy for action is based on economic, social and environmental criteria. The socially responsible investments base the choice of their portfolio structure both on information that has been made public and on monitoring by independent experts of the companies under analysis. This investment policy includes a list of negative and positive criteria. The definition of these criteria must be accompanied by specific indicators making them operational, allowing companies to be included or excluded.” **(115)**

➤ **Danny Myers (2005)**

In his attempt to understand the construction companies' attitude towards the CSR and sustainability in United Kingdom (UK) he found that, in the last decade several initiatives have been taken to encourage the construction industry to support the agenda of sustainable development. He reviewed the companies on the basis of public disclosures made by companies listed on the UK Stock Exchange and tried to understand attitudes to sustainability and corporate social responsibility. The findings suggest that very few of the major companies positively embrace these ideas. It is subsequently argued that the fragmented and diverse nature of the industry further complicates the transition towards sustainable construction. The conclusion is that even though the construction industry has its own sustainability agenda, relatively few companies have changed their business paradigm. **(116)**

➤ **Josep Vallverdu, Calafell, Oledad moya gutie rrez and Antonio Somoza Lopez (2006)**

The main objective of their research is to give some evidence, from a conceptual approach, about the possibility of contributing to the social responsibility development, starting from accounting. Their attempt was on to the agreement that there is a rising need for developing a suitable conceptual framework, which gives information companies should provide in relation to their behavior towards the environment. However, this work intends, not only to analyze the reflection of the companies' behavior in financial information, but also to show how a new accounting framework could facilitate progress in the social responsibility of companies.” **(117)**

### **3.11.7 CSR implication On Strategic Decision Making**

#### **➤ Abowd et al. (1990)**

Abowd et al. used the event study methodology to check the CSR impact of the CSR activities related to Human Resource development, to the companies' stock prices. Results showed there was no consistent pattern of increased or decreased. **(118)**

#### **➤ Worrell et al. (1991.)**

Worrell et al. could tried to discover the relations between layoff programmers of the companies to it's investor's reaction. Result showed that investors react negatively to the layoff announcements , especially when they are due financial distress. **(119)**

#### **➤ Clinebell and Clinebell (1994)**

Clinebell and Clinebell found out in their research carried out to check the plant closure notice, found that longer periods of advance notice of plant closings result in greater losses in shareholders wealth. **(120)**

#### **➤ Russo and Fouts (1997)**

They tried to check the co-relation between environmental performances of the companies to financial performance. With the regression analysis, their results show the positive co-relation between environmental performance and financial performance.

Waddock and Graves (1997) could found the positive co-relation between CSR activities of the firms and financial performance. **(121)**

#### **➤ McWilliams and Siegel (1997)**

They provided a framework for analyzing CSR within the context of the theory of the firm. Based on this framework, they developed hypotheses regarding the provision of CSR attributes across industries and market structures. They hypothesize that 'the

provision of CSR will depend on R&D spending, advertising intensity, the extent of product differentiation, the percentage of government sales, consumer income, the tightness of the labor market, and the stage of the industry life cycle'. McWilliams and Siegel conclude that 'there is some level of CSR that will maximize profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost-benefit analyses.' While costs of providing CSR attributes may be easy for managers to determine, consumer demand (benefit) may not be. Consumer demand for CSR could be difficult to measure because CSR attributes are among many attributes of a product. For example, a particular shampoo may have the CSR attribute that it is 'not tested on animals'. But, it also has a particular scent, color, consistency, and package.

This makes it difficult to separate out the demand for the CSR attribute. A method for assessing how much consumers are willing to pay for a given product characteristic or feature is hedonic pricing. Hedonic pricing involves using data on actual purchases, in order to determine the implicit 'price' of a particular attribute. (122)

➤ **David A. Waldman, Donald S. Siegel and Mansour Javidan (2006)**

By using transformational leadership theory to explore the role of CEOs in determining the extent to which their firms engage in corporate social responsibility (CSR). They tested this theory using data from 56 US and Canadian firms. They conducted in their research that "There is a positive relationship between CEO charismatic leadership and the propensity of firms to engage in CSR." And "There is a positive relationship between CEO intellectual stimulation and the propensity of firms to engage in CSR." (123)

➤ **Donald S. Siegel and Donald F. Vitaliano (2007)**

They proceed with the hypothesis that the “Firms selling experience or credence goods are more likely to be socially responsible than firms selling search goods.” Their findings are that firms selling durable experience goods or credence services are much more likely than comparable firms to be socially responsible. Their result implied that a firm selling financial services is more likely to opt for CSR by about 23 % points (Compared to firms selling search goods.) Similarly firms selling durable experience goods, such as automobiles or software, are more likely to be socially responsible by about 15% points. Firms selling experience services or nondurable experience goods, by contrast are no more likely to adopt CSR than a firm whose product is a search goods.

(124)

➤ **Paola Perez- Aleman and Marion Sandilands , (2008)**

They note in their research paper, focused on the specialty coffee chain, companies in diverse industries face increasing demand for the supply chain transparency, traceability and CSR. Their success will depend upon how they interact with suppliers from developing countries including poorer and smaller ones. Numerous companies operating in the developing world have seen their reputation tarnished and their competitiveness reduced when they implemented CSR or sustainability codes with short term approach and overlooked their supply chain linkages with the bottom of the pyramid (BOP) suppliers. According to them first, a BOP strategy needs to target poorer groups in developing countries, bringing together sustainability standards with support to upgrade small-scale suppliers. Secondly companies can pursue opportunities that exist in their value chain to benefit society and business. (125)



### **3.11.8 CSR Impact Assessment, Implementation and Approaches Studies.**

Planning, organizing and implementation of CSR projects are a complex management decision. In brief summary of the research related to the same has been described here.

#### **➤ Eilbirt and Parket ( 1973)**

They have studied 400 firms and found that the position of an office for CSR established in 1968 – was beholding high in company in 1973 and was holding strategic top management position and was reporting to CEO. **(126)**

#### **➤ Ackermen (1973)**

Ackermen examined problem of policy formulation in great department in to two large companies. Policy was regarding control and equal opportunity employment, - however process of implementation of the policy took over 8 weeks and had a to face lost of challenges in implementing the same.**(127)**

#### **➤ Implementation Study – (Lovedal , Bauer and Treverton ,1977)**

They have found that some companies have social responsibility policy implementation committee, however some of them did not have that. Committee are in a formative stage, because of its potential value it were having a high growth in their potential values. In their study of two companies of CSR implementation, they have found a tremendous complication in implementation of CSR policy. Social policy implementation is found one of the most valuable decision making contribution.**(128)**

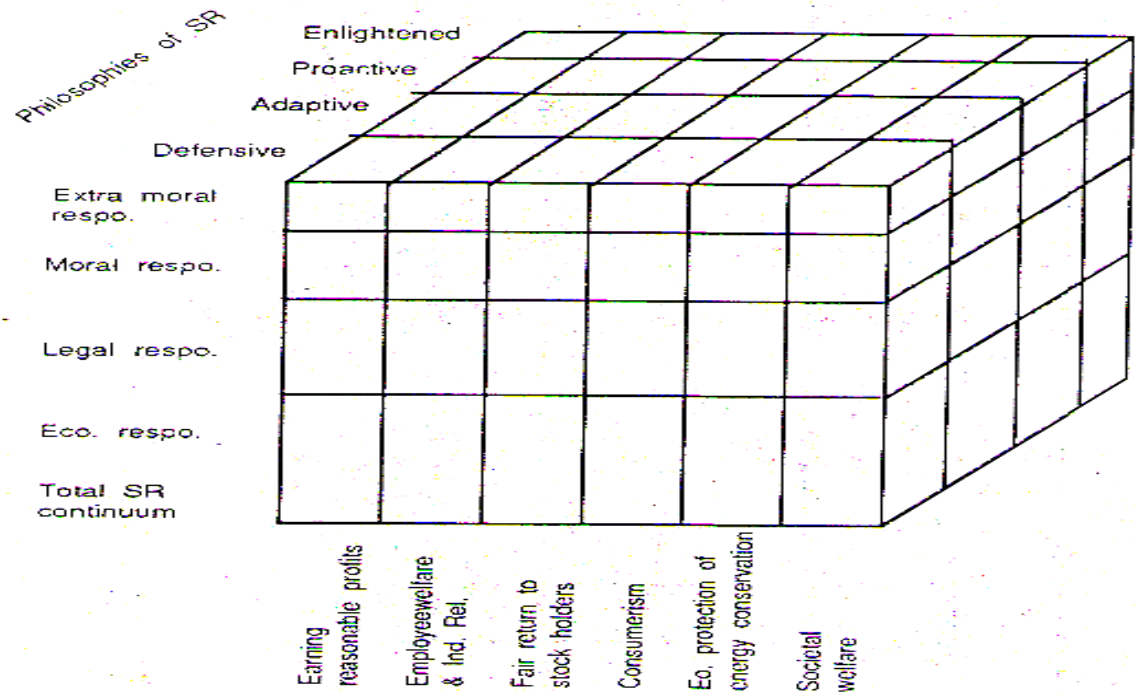
#### **➤ Approaches Study , Jayrajsinh Jadeja. (1992)**

Due to the relative lack of clarity of CSR concept , definition and understanding of CSR , as well as due to the lack of skilled trained professional , although having ownership most of the corporation fails in CSR implementation and CSR projects. Prof. (Dr.)

Jayrajsinh Jadeja's study examined the perception of various industrial houses in Gujarat , about the philosophy , commonalities & differences commonly adopted practices , unfair practices largely adopted by firms , also examined the various approaches towards the social responsibilities of these business houses. With the help of both the primary and secondary data Dr.Jadeja have developed a 3D model as shown in the Diagram 4.1 in order to (1) Crystallize the concept of social responsibility of business. (2) To identify those issues the firm must be concerned with, and (3) To explore the attitude of the corporations towards the social responsibility.

The first dimension distinguished among the various types of responsibilities that a business is expected to discharge. In the model CSR is conceptualized as the "Sum total of economic, legal, moral, and extra moral responsibilities of business. It is assumed that the profit making is certainly an important aspect of business, but that is not all for it. A profiteering at the cost of the society is illegal; hence the business should pursue both economic and legal responsibilities together. Further the quest for excellence to be a good corporate citizen forces them to indulge more in societal welfare activities. Thus continuum extends to extra moral dimension. This explains that the society expects business to fulfill all these responsibilities without barring one in favor of the other. The second dimension identifies those issues which corporations must consider while pursuing the CSR activities. The third dimension indicates the attitude of corporations towards social responsibility of business. The corporate responses to social responsibility can range from defensive to the enlightened one as shown in the Diagram

3.4



*Diagram 3.4 : 3D Model : CSR Approaches study by Dr.Jayraj .D.Jadeja (1992) (129)*

➤ **Impact Assessment ( Sharma Mona, 2006)**

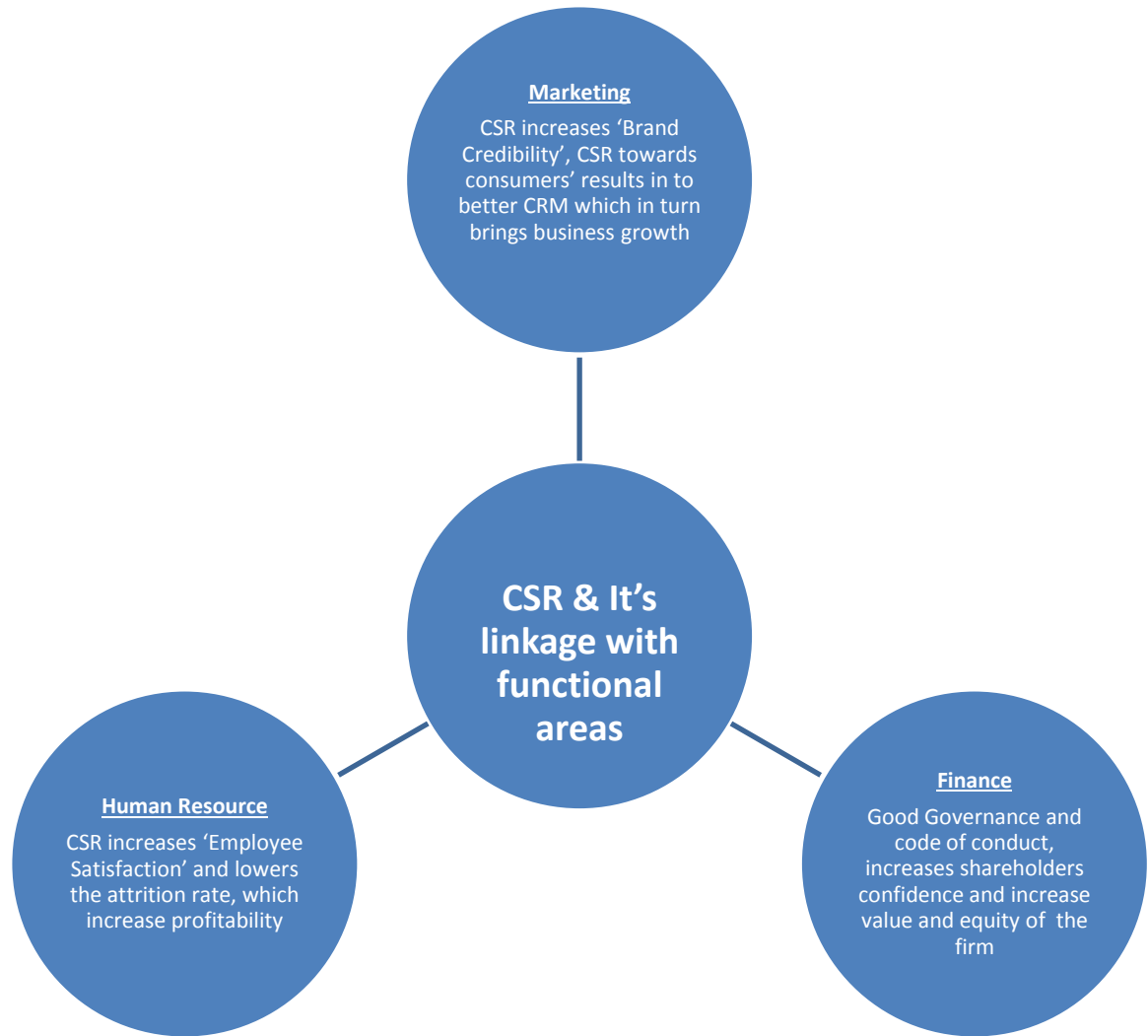
In her study on the impact assessment of CSR with respect to community development program in Industrial houses of Gujarat, she has found that most of the houses had a difficulty in the implementation of CSR , difficulties were faced due to rigidity in thinking , resistance for co-operation and poor participation. Majority of the companies did not adopt the specific tools and guidelines of the CSR implementation. As Ms. Sharma had taken a wide range of the areas to check the impact, her conclusion was , ‘there was not any bench mark or structured or planned CSR actions in the companies. Most of the corporations were taking the CSR as the secondary task post their business activities; majority of them did not have the structured and responsible CSR activities.

She also studied that impact assessment or CSR effectiveness measurement tools were not available, nor were the same attempted. (130)

### **3.12 CSR and It's Linkage with the Functional Areas of Business**

From the various empirical results of various research work carried out to 'assess the impact' of CSR efforts on the various functions as mentioned earlier, leads to the fact that there is a direct impact of the CSR activities and approaches of the companies on it's functional dimensions like , Marketing Management, Human Resource and Financial Management. Although there are very few results which establish negative co-relations of the CSR investment on the various functional department, but by and large it is seen from the study that investment made by the organization in the CSR activities are positively linked with it's other prime functions like Finance, Human Resource and Marketing functions mainly. The interlink of the relationship has been shown in the Diagram 3.5.

***Diagram 3.5 : CSR and It's Linkage with Business Functions***



***(a) CSR and It's Linkage with Marketing Function of the Organization***

Host of research has been carried out to check the impact of CSR on Marketing Function , to an extent the CSR efforts of the organization often faced the criticism of just and 'investment for marketing' or 'business investments.'

However from the presented literature review it is leading to a clear conclusion that CSR investments and approaches have a direct impact on the 'Marketing Functions' mainly to sum up we can say that,

- CSR investments build the strong and ethical Brand Value of the organizations.
- Consumers are often willing to buy the 'socially responsible products' or 'environmental friendly products.'
- Consumers many a times are ready to pay an extra for the ethical and socially responsible products.
- Organizations have started diverting or minimizing advertisement expenditure to socially responsible causes, there are results which favors that the same helps in building brands and results in to higher profitability.
- Intrinsic CSR investments towards the 'Customer Relationship Management (CRM) and relationship management towards the suppliers and dealers helps in generating more 'word of mouth' publicity and growth in the business.

It's undoubted fact that the 'Corporate Social Responsibility' approaches of the organization as well as , socially responsible behavior of the 'Corporate' indeed helps directly to the Marketing Department of the organizations and in turn does help in bringing sustainable growth to the organizations.

### ***(b) CSR and It's Linkage with Financial Management***

Empirical results support that although the 'Prime CSR of the company is to earn profit' is the fact of today's business world, however since the business is seen a part of the society, social investments and socially responsible investments by the organizations in turn helps the business.

Corporate Social Responsibility and investment towards the CSR activities by the companies helps the organization in its 'Brand Value' and 'Social Value'. Brand value is the intangible assets and very important part of the 'Balance Sheet'. The empirical results show positive co-relation between social responsibility investment and higher 'Brand Equity' or 'Valuation' of the company. Ethical Brand identity and good governance and code of conduct build the investor confidence and in turn it brings investments and reduces cost of funds. Investment made towards the share holders is also considered as intrinsic CSR, and it brings sustainable development and strong financing capabilities for the organization.

### ***(c) CSR and It's Linkage with Human Resource Management***

Employee turnover and attrition rate is the growing strategic human resource challenge of the modern days management. It is found that investment towards employees development and retention is one of the major intrinsic CSR. It is found that companies are adopting the intrinsic CSR approaches for the betterment of the employees and trying to minimizing attrition rates which in turn result in to the lowering the cost of employee recruitment and development and increase in productivity. Thus we can say that CSR investments have positive impact on the human resource department.

### **3.13 CSR as a Strategic Marketing and Branding Tool**

A survey study conducted in UK in 2005 states that – “Buying a product or using a service which supports a charity or cause is one of the most preferred methods through which the public wants to support a charity”.

Post floods in Mumbai in 2005, Hindustan Unilever Ltd took up a CSR task of distributing 1.5 Lakhs lifebuoy sops , through UNICEF. It is observed that the good will and brand image earned by the company through this very small investment and social initiative was way ahead of 20 sec prime time television advertisement , with a frequency nothing less than 15 times. Product Promotion benefits were derived as surplus. ([www.hul.com/corporate social responsibility](http://www.hul.com/corporate-social-responsibility))

Maruti Udyog Limited found a series of complaints for its very old car model Maruti 1000 and while re-launching of its new version, company offered extra perks and benefits to the existing users in terms of customer warranties, services and replacement, which gained lots of customer delights, and they were successful enough in converting ‘possible threat’ to the ‘better-relationships’ with the help of customer relationship management. Competitor TATA Motors also followed the same strategy post launch of their highly popular car ‘Indica’.

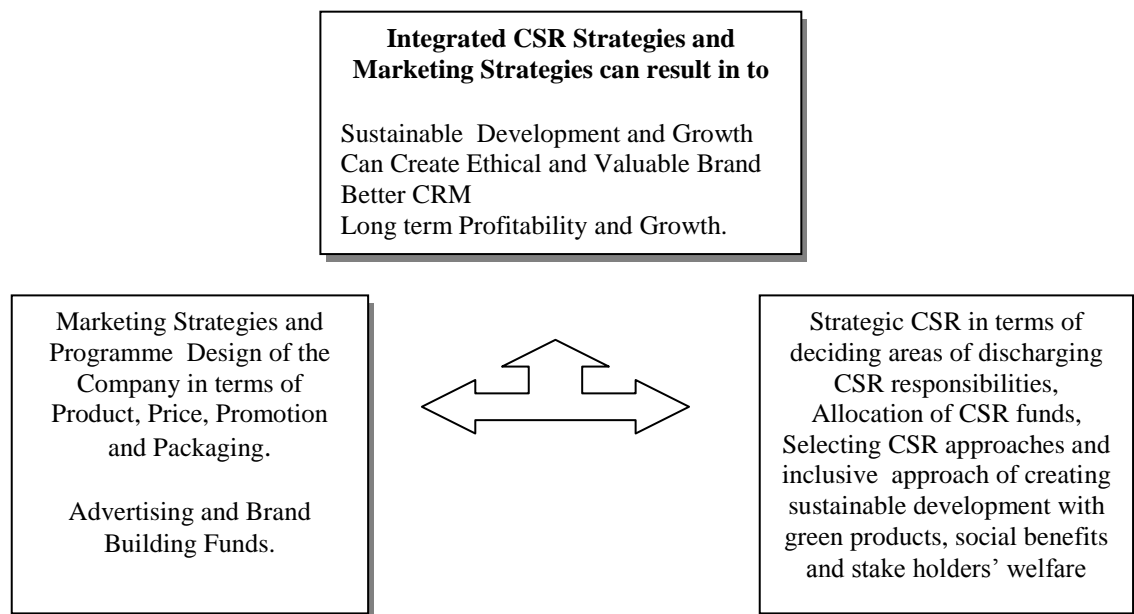
Above stated examples are clear indications of the companies utilizing the ‘CSR Credibility’ to build the strong ‘Brand Image’ or ‘Ethical Brand Image’ and in turn to manage their better ‘Customer Relationship’. It is widely noted that companies are utilizing CSR Concept in their ‘Marketing Communication Design ( Advertising or Sales Promotions Schemes or in Web site designing).



CSR have been integral central tool of strategic Marketing Management. CSR strategies linked with Marketing Strategies it turn brings win – win situation for both the companies and the society both.

The relationship between CSR strategies and Marketing Strategies is explained graphically in Diagram 3.6 below.

**Diagram 3.6 Inclusive Approach Between CSR Strategies and Marketing Strategies**



### **3.14 Government Role in Corporate Social Responsibility.**

“The increasing profile of CSR as a concept in government action is linked to other challenges brought about by globalization and economic change in the late 20<sup>th</sup> century” (Albareda, Lozano, Tencati, Midttun and Perrini, 2008).

Wilson and Olsen (2003) believes that the “government needs to reinvent its role. Part of this will involve enacting legislation to create a normative framework that will ensure business behavior delivers the desired outcomes to meet the systemic challenges facing societies.

#### **3.14.1 Government Role and Responsibilities in Driving CSR.**

Governments should also work with business to create the incentives that will encourage companies to take further action at the instrumental level for the mutual benefit of business and society.

The World Bank has grouped the gamut of initiatives that the government can look at while proceeding on this pathway into four distinct roles like, mandating, facilitating, partnering and endorsing roles as shown in Diagram : 3.7 (Source: Fox, Ward and Howard,2002 Model.)

The diagram enclosed gives a deep insight of the above four roles.

***Diagram 3.7 (Role of Government in CSR)***

Public sector role				
CSR theme	Mandating	Facilitating	Partnering	Endorsing
Setting and ensuring compliance with <i>minimum standards</i>	Defining minimum standards and establishing targets; establishment of enforcers and inspectorates; supporting citizen legal action	Tax incentives and penalties; ensuring access to information; facilitating understanding on minimum good practice abroad; naming and shaming poor performers; frameworks for voluntary agreements; supporting civil society	Working with multilateral agencies and civil society to build capacity	
<i>Public policy</i> role of business	Reforming political financing; legislation as policy setting for voluntary action; mandatory disclosure of payments to public bodies	Engaging business in public policy processes; clearly defining societal priorities; including CSR elements in other policy areas	Forums for debating public policy proposals	Including business representatives in policy arenas
<i>Corporate governance</i>	Stock exchange regulations and codes; company law	Implementing international principles	Multi-stakeholder code development	
Responsible <i>investment</i>	Guidelines for FDI; requirements for government loan guarantees	Facilitating legislation for SRI; guidelines for public investments; linking investment opportunities to SD policy	Public-private partnerships	Endorsing metrics and indicators; supporting civil society initiatives
<i>Philanthropy</i> and community development	Mandating corporate contributions	Tax incentives; "timebank" schemes; league tables to promote peer pressure	Public-private partnerships	Publicizing leading corporate givers
<i>Stakeholder engagement</i> and representation	Licensing requirements for stakeholder consultation	Supporting civil society engagement; defending key stakeholder interests in key forums	Facilitating dialogue and multi-stakeholder processes	Association with particular multi-stakeholder processes
Pro-CSR <i>production and consumption</i>	Pollution taxes; command and control legislation driving pro-CSR innovation	Pro-CSR export initiatives; capacity building; business advisory services; enterprise development; public procurement; voluntary CSR labels; education and awareness raising; support for civil society action; tax incentives	Joint government-industry investment in capacity; developing sectoral guidelines	Public procurement; pro-CSR management in public sector bodies; labeling schemes
Pro-CSR certification, " <i>beyond compliance</i> " standards and management systems	Mandatory environmental management systems	Information and capacity building; supporting business-to-business partnering / mentoring; public procurement; tax and regulatory incentives; supporting supply chain initiatives and voluntary certification	Engaging in standards-setting processes	Endorsing specific standards systems and approaches; public procurement and public sector practices
Pro-CSR <i>reporting and transparency</i>	Mandatory reporting	Guidelines for voluntary reporting; informal incentives	Engaging in multi-stakeholder dialogue on guidelines	Supporting instruments for peer pressure; commending reporters
<i>Multilateral processes</i> , guidelines and conventions	Implementing guidelines through legislation	Capacity building and technical support	Negotiating agreements; shared monitoring	Endorsing guidelines

*Source: Fox, Ward and Howard, 2002 (Sighted in Research Paper, Angirish N. Seminar South Gujarat University, 2010)*

Through the role of “mandating” the government is responsible for setting benchmarks for businesses to follow like setting minimum standards, setting targets, enforcement and backing civil legal action, setting stock exchange and company codes and

regulations, guidelines for investment, licensing requirements, pollution taxes and mandatory environmental management systems

Facilitation requires a softer approach from the government. This includes incentives and penalties in terms of taxes; reputation related information, preparing the ground for voluntary agreements to occur, support civil society, to highlight best practices, implementation of international principles, provide tax incentives for philanthropy and create “peer pressure” by international principles, provide tax incentives for philanthropy and create “peer pressure” by publishing comparative tables.

Partnering involves providing forums for debate, public private partnerships, facilitating multi stakeholder code development and dialogue, developing guidelines, engaging in standard setting and in dialogue on guidelines and negotiating arguments. The role of the government as far as endorsing is concerned is related to political support to being inclusive towards businesses when it comes to policy making, endorsing and supporting metrics and indicators for responsible investment and supporting civil society.(131)

#### **3.14.2 Government of Gujarat as a Promoter of CSR**

In its latest Industrial Policy (2009) the Government of Gujarat (GoG) “aspires to become a beacon of comprehensive social and economic development” and has put forward the idea of “Wealth with Social Health” to promote the idea and implementation of CSR activities in the state. The government seeks for the “all round development” and “improving quality of life” of the people of Gujarat The government extends the hand of partnership with business to better the social health as a

complement to the economic wealth. For this, a well defined but flexible arrangement between the government and business which will be applicable at the district level.

The Industrial Policy also lays specific focus on the environment and gives it an infrastructure status. The state is promoting “Green Business” and environment related activities which can be economically profitable. Adoption of green technologies, waste to raw material conversion in the form of recycling, reusing and conversion to usable products, is being “actively sought” and its “adoption rewarded”.

The Industrial Policy 2009 does not cover the policies directed towards the government owned companies which are also referred to as Public Sector Enterprises (PSE). The PSEs are promoted by the state government with an objective of overall development of the state (GNFC 2008). The Gujarat Socio-Economic Development Society (GSEDS) was formed in March 2008 to channel the contributions from PSEs for socio-economic development and improving the Human Development Index (HDI) of the people (Govt. of Gujarat, 2009). In September 2008 the GOG asked all profit making PSEs of Gujarat to contribute up to 30% of their annual Profit before Tax (PBT) to the society which would provide support to the weaker sections of society. The Government’s explanation was that the significant profits of PSEs will contribute to the socio-economic development and help the state to achieve its objectives. This policy was particularly directed towards six major PSEs.

### **3.15 Conclusion**

Till mid of 1960 – the only one concern for the business was used to be to ‘earn profit’ for the share holder. Due to the seriousness of events it was found both by the businessmen and stake holders that , business are responsible for the societies welfare too, which has emerged strategic business concept of Corporate Social Responsibility (CSR). CSR has been defined in a variety of ways, by different people, over different issues and periods of time. However, there is, despite this vagueness, a general consensus amongst academics and businesses about what it constitutes of. The stakeholder theory for this concept is widely accepted, and it is an amalgamation of several general consensuses amongst academics and businesses about what it constitutes of.

CSR literature now a days has not got restricted to only CSR, but the other important derived concepts like , Corporate Governance, Business ethics, Corporate Social Performance, Corporate Accountability, Corporate citizenship etc. Further more Corporate Social Responsibility (CSR) has been evolved as an important strategic management concept and the stakeholder theory for this concept is widely accepted, and it is an amalgamation of several general consensuses amongst academics and businesses about what it constitutes of. In the current day management literature and practices various other concepts emerged out of the central thinking of CSR are Cause related marketing (CRM), Green Marketing, Sustainable development etc. Government is an important stakeholder in the activity of businesses, in various ways. The way in which governments are expected to behave is changing. The role of government in today’s

societal circumstances is vital to the growth and development of CSR. At the same time, it also benefits from activities which aid societal development. Model of PPP (Public Private Partnership) is gaining popularity, among the corporate which are keen to discharge their social responsibility, gets support from the government to build the nation, however impact assessment of such development based on PPP model needs to be done.

The concept of social responsibility is not alien to Indian soil. As a matter of fact, it is deeply rooted in the Indian Culture. With time to time with socio-economic changes the adoption of the concept has evolved. Earlier the evolution was rotating around the axis of the religious belief and culture and in modern time, it is being widely accepted as a central strategic management tool or a value based management concept.

During the Vedic period CSR was centered on “Do and Don’ts” of the socially desirable and good moral behavior. It was more a social responsibility concept led by spiritual leaders through spiritual literatures. Social responsibility transformed into the leaders or leadership responsibility during the Post Vedic and Medieval phase. During that time kings enforced the basic laws of socially responsible behavior and also tried to introduce the fair practices in the business through legal control. Few of the leaders also worked towards the development of the social health and infrastructure in India. In a way Social responsibility concept was more driven by individual king’s thought and leadership style. Immediately after the independence in democratic India, political leaders had a very specific social problems and challenges arisen after independence and partition of the country. All the attempts were very focused towards to control the situation. Formulation and implementation of fair business practices and legal laws was

a major turnaround. Due to the poor economic conditions political parties also started involving and drawing support from the business leaders and corporate firms, thus we can say Social responsibility of business started getting transformed to Corporate Social Responsibility gradually during those days. At present the country is one among the fastest economically developing country of the world and Corporate Social Responsibility has been one of the very important business dimension and leadership concept in the current day's business.

Although there are debates going on the CSR expenditures and policies of the corporations, but the results of empirical studies are quite balanced and encouraging in terms of the CSR activities and social concerns of corporations. CSR is undoubtedly gaining importance in the corporations because there is certain positive impact of the companies brand image, product image and it also sets positive impact in the minds of employees of the company. Directly or indirectly CSR has a positive effect on the stake holders and customers. There is argument in the favor of CSR that, later date the CSR will be intangible asset like "Brand Equity" – and it will be tradable. However arguments against CSR are, whether the CSR activities carried out by the firms, really improve the social health or concerned? Or Does customer is really willingly happy to pay extra for the CSR associated products or the brand? If yes how much? And if no, how a company can survive in the competitive markets with and additional expenditures and, will it not be important for the company to focus on it's core business of increasing profitability? etc. It is the area where more and more research work is essential and needed.



## **References**

1. Friedman, M (1970). 'The Social responsibility of the business is to increase profit' . New York times Magazine , 13, September 122-6.
2. Angirish N (2009), " Role of Government in Corporate Social Responsibility" Seminar 'Corporate Social Responsibility' VNSGU, 2009.
3. Carroll, Archie B. (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, Business Horizons, July-August 1991
4. Drucker, P. F. (1984) 'The new meaning of corporate social responsibility', *California Management Review*, 26: 2, 53-63.
5. World bank sustainability report ,(2003)
6. Bowen, H. R. (1953), *"Social Responsibilities of the Businessman"* , New York, Harper-Row
7. McGunie, J. (1963), *"Business and Society"*, New York, McGraw- Hill.
8. Davis, K. (1973), "The case for and against business assumption of social responsibilities". *Academy of Management Journal*, 16,312-322.
9. Wood, D. J. (1991), "Corporate Social Performance Revisited", *Academy of Management Review*, 1 (4), 691-718.
10. Brown, T. J., and P. A. Dacin (1997), "The Company and the Product: Corporate Associations and Consumer Product Responses", *Journal of Marketing*, 61 (t), 68-84.
11. World Bank Report : 1998
12. McIntosh, M., Leipziger, D., Jones, K. & Coleman, G. (1998) : "Corporate Citizenship, Successful Strategies for Responsible Companies. London: Financial Times/Pitman Publishing.
13. Marsden and Andriof, (1998) : "*Towards an Understanding of Corporate Citizenship and How to Influence It*, p. 3. Waddock, 2004, "Creating Corporate Accountability."
14. Maignan I, Ferrell O.C. and Hult, G.T.M (1999) : Corporate Citizenship :Cultural antecedences and business benefits : *Journal of Academy of Marketing Science* (27) Fall) 455-469

15. Warhurst, A. (2001) "Corporate Citizenship and corporate social investment drivers of tri-sector partnerships." *Journal of Corporate Citizenship* 1-57-73
16. McWilliams, A. and Siegel, D. (2001). 'Corporate social responsibility: a theory of the firm perspective'. *Academy of Management Review*, 26, 117–27.
17. Ferrell, C , Fredrich, J. and Ferrell, L. (2002). *Business Ethics : Ethical decision making and cases* : Boston, MA: Houghton Mifflin.
18. European Commission (2003) Promoting a European frame work for corporate social responsibility, Green Paper, 264 Brussels.
19. CII (Confederations of Indian Industry ,2005)
20. World bank community sustainability report ,( WCSD2003)
21. Deveshwar, Y.C. (VP-CII) (2005), Corporate Social Responsibility for business : Economic Times 17 March 2008
22. Maira A. (2007) **21st century business responsibilities**  
[http://economictimes.indiatimes.com/Opinion/Comments\\_Analysis/21st\\_century\\_business\\_responsibilities/articleshow/msid-3949258,curpg-2.cms](http://economictimes.indiatimes.com/Opinion/Comments_Analysis/21st_century_business_responsibilities/articleshow/msid-3949258,curpg-2.cms)  
[http://www.karmayog.org/newspaperarticles/newspaperarticles\\_21765.htm](http://www.karmayog.org/newspaperarticles/newspaperarticles_21765.htm)
23. Singhal R (2006) Learning **to make profit with** clean conscience  
 URL: [http://epaper.timesofindia.com/Repository/ml.asp?](http://epaper.timesofindia.com/Repository/ml.asp?http://www.karmayog.org/newspaperarticles/newspaperarticles_14164.htm)  
[http://www.karmayog.org/newspaperarticles/newspaperarticles\\_14164.htm](http://www.karmayog.org/newspaperarticles/newspaperarticles_14164.htm)
24. Pachauri. R K (2008) "Role of Govt business and civil society in building sustainable communities." Perils and progress: Redefining our roles – Economic Times March 17 2008
25. Birla K. (2008) " Corporate Social Responsibility and Role of Government" Economic Times March, 17 2008
26. Singh Manmohan : We're Off To A Good Start - Manmohan Singh : Oct 25,2007 Publication:Times Of India Mumbai; Date:Oct 25, 2007; Section:Editorial; Page Number:20 -  
[http://www.karmayog.org/general/general\\_10819.htm](http://www.karmayog.org/general/general_10819.htm)
27. Wood, D. J. (1991), "Corporate Social Performance Revisited", *Academy of Management Review*, 1 (4), 691-718.
28. Valor, C. (2005). 'Corporate Social Responsibility and Corporate Citizenship : Towards corporate accountability' : Blackwell Publishing.

29. Sherwin, D : “ The ethical roots of the business system HBR, 1986 P.11
30. Drucker, P. F. (1984) ‘The new meaning of corporate social responsibility’, *California Management Review*, 26: 2, 53-63.
31. Thompson, J. D. and A. Tuden (1959), "Strategies, Structures and Processes of Organizational Decision," in *Comparative Studies in Administration*, J. Thompson, P. Hammond, R. Hawkes and A. Tuden, editors, Pittsburg: University of Pittsburg Press. [18] Weick, K. E. (1969), *The Social Psychology of Organizing*,
32. Miles R. (1987) *Managing Corporate Social Environment : A Grounded Theory* . Engle wood cliffs, NJ: Prentice-Hall
33. Hosmer D.W. and S. Lemeshow. (1989), *Applied Logistic Regression*, Newyork : John Wiley and Sons
34. Freeman, R. E., Gillbert (1988). *Strategic Management: A Stakeholder Perspective*. Englewood Cliffs,NJ: Prentice Hall.
35. Wood, D. J. (1991), "Corporate Social Performance Revisited", *Academy of Management Review*, 1 (4), 691-718.
36. Clarkson M.B.E (1995) : ‘A stakeholder framework for analyzing and evaluating corporate social performance’ *Academy of management review*. 20:1 92-117
37. Valor, C. (2005). ‘Corporate Social Responsibility and Corporate Citizenship : Towards corporate accountability’ : Blackwell Publishing.
38. Jadeja,(Dr.)J .D. (1992). ‘Approaches towards the Social Responsibility in the Industrial Houses of Gujarat’, Sardar Patel University , Vallabh Vidyanagar. Pp1 17-18
39. Ibid 38 Pp. 18-19
40. Wartick, S.L. and Mahon J.F. (1994) ‘Toward a substantive definition of the corporate issue construct: A review and synthesis of the literature’, *Business & Society*, 33(3), 293–311.
41. Marsden and Andriof, (1998) : “*Towards an Understanding of Corporate Citizenship and How to Influence It*, p. 3. Waddock, 2004, “Creating Corporate Accountability.”
42. Friedman, M. (1970). ‘The social responsibility of business is to increase its profits’. *New York Times Magazine*, September, 13.

43. Singh, S. (2007). 'Triple bottom line reporting and Corporate sustainability' Prentice Hall.
44. Jadeja,(Dr.)J .D. (1992). 'Approaches towards the Social Responsibility in the Industrial Houses of Gujarat', Sardar Patel University , Vallabh Vidyanagar. Pp 11-12
45. Maignan I, Ferrell O.C. and Hult, G.T.M (1999) : Corporate Citizenship :Cultural antecedences and business benefits : Journal of Academy of Marketing Science (27) Fall) 455-469
46. Leo Hindery Jr. and Curt Weeden (1998) Corporate Social Irresponsibility  
<http://www.businessandnonprofit.com/media/CSRBusinessWeek.pdf>
47. Rick Sarre Meredith Doig and Brenton Fiedler (2001) :  
<http://onlinelibrary.wiley.com/doi/10.1111/1467-6303.00068/abstract>
48. E Neville Isdell (2007)  
[http://www.karmayog.org/newspaperarticles/newspaperarticles\\_13525.htm](http://www.karmayog.org/newspaperarticles/newspaperarticles_13525.htm)
49. Varadarajan, R. P., and A. Menon (1988), "Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy", *Journal of Marketing*, 52 (3), 58-74.
50. Stacy L,G. and Judith Anne G,F. (2007) "The Influence of Donation Proximity and Message-Framing Cues on the Less-Involved Consumer" Journal of Advertising Vol. 36 No. 4 pp 19-33 , 2007.
51. Smit A. (1937) : " An inquiry into the nature and causes of wealth of Nations, New York Modern Library , 1937, p. 423
52. Friedman, M (1970). 'The Social responsibility of the business is to increase profit' . New York times Magazine , 13, September 122-6.
53. Jadeja,(Dr.)J .D. (1992). 'Approaches towards the Social Responsibility in the Industrial Houses of Gujarat', Sardar Patel University , Vallabh Vidyanagar. Pp 23
54. Hay R, D & Gray E, R (1977) : Business and Society, Cincinnati South-Western Publishing CO. 1981 P:9
55. Galbraith J, K (1973) On Economic usage of Corporate enterprise – Grossman publishers.
56. Gandhi M.K (1940) : Harijan Feb. 22 1942

57. Hasan N “Trusteeship Management : The Genre for future’ Paper presented to I.A.M.D. Conference at Poona Dec. 1979
58. Tandon, B.C. : Trusteeship Management : Paper presented at I.A.M.D conference at Poona 1979.
59. Gupta O.S. : Trusteeship Management : Paper presented at I.A.M.D conference at Poona 1979.
60. Friedman, M (1970). ‘The Social responsibility of the business is to increase profit’ . New York times Magazine , 13, September 122-6.
61. Freeman, R. E. (1984). *Strategic Management: A Stakeholder Perspective*. Englewood Cliffs,NJ: Prentice Hall.
62. Donaldson, T. and Preston, L. (1995). ‘The stakeholder theory of the corporation: concepts, evidence, and implications’. *Academy of Management Review*, **20**, 65–91.
63. Jones, T. (1995). ‘Instrumental stakeholder theory: a synthesis of ethics and economics’. *Academy of Management Review*, **20**, 404–37.
64. Clarkson M.B.E (1995) : ‘A stakeholder framework for analyzing and evaluating corporate social performance’ *Academy of management review*. 20:1 92-117
65. Donaldson, L. and Davis, J. H. (1991). ‘Stewardship theory or agency theory: CEO governance and shareholder returns’. *Australian Journal of Management*, **16**, 49–64.
66. Hart, S. (1995). ‘A natural resource-based view of the firm’. *Academy of Management Review*, **20**, 986–1014.
67. Clarkson M.B.E (1995) : ‘A stakeholder framework for analyzing and evaluating corporate social performance’ *Academy of management review*. 20:1 92-117
68. Berman, S. L., Wicks, A. C., Kotha, S., and Jones, T. M. 1999. “Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance.” *Academy of Management Journal* 42:488–506.
69. Lantos, G.P. 2001. The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing* 18 (7), 595-630.

70. Pryce Vicky (2002) : “CSR-should it be the preserve of the usual suspects?” Blackwell Publishers Ltd. (2002) Volume 11 No 2 Page : 140:142
71. Maira A. (2007) **21st century business responsibilities – PPP Model of Development.** : Economic Times : March 18 2007
72. Jadeja,(Dr.)J .D. (1992). ‘Approaches towards the Social Responsibility in the Industrial Houses of Gujarat’, Sardar Patel University , Vallabh Vidyanagar. Pp 85-86
73. ibid : Pp 87-88
74. ibid : Pp 89-91
75. McWilliams, A. and Siegel, D. (2000). ‘Corporate social responsibility and financial performance: correlation or misspecification?’. *Strategic Management Journal*, 21, 603–9.
76. McWilliams, A. and Siegel, D. (2001). ‘Corporate social responsibility: a theory of the firm perspective’. *Academy of Management Review*, 26, 117–27.
77. [www.csmworld.com](http://www.csmworld.com)
78. Nupur, A. (2009) : Paper Presented at Corporate Social Responsibility Seminar : VNSGU : 27 Jan 2010. “A Role of Government in CSR”
79. Friedman, M (1970). ‘The Social responsibility of the business is to increase profit’ . New York times Magazine , 13, September 122-6.
80. Angirish N (2009), “ Role of Government in Corporate Social Responsibility” Seminar ‘Corporate Social Responsibility’ VNSGU, 2009.
81. Kotler, P. Lee N. (2005). ‘Corporate Social Responsibility : Doing the most good for your company and your cause ’ : Hoboken New Jersey : Wiley, 2005
82. Hovland, C. I., and W. Weiss (1951), "The Influence of Source Credibility on Communication Effectiveness", *Public Opinion Quarterly*, 15,625-650.
83. Quattrone, G, A. and Amos T. (1984), “Casual Versus Diagnostic Contingencies: On Self-Deception and on the Voter’s Illusion.” *Journal of Personality and Social Psychology* 46(February), 237-248.
84. Holt, Douglas B. (1995), “How Consumers Consume: A Typology of Consumption Practices,” *Journal of Consumer Research*, 22 (June), 1-16.

85. Varadarajan, R. P., and A. Menon (1988), "Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy", *Journal of Marketing*, 52 (3), 58-74.
86. Quattrone, G. A. and Amos T. (1984), "Casual Versus Diagnostic Contingencies: On Self-Deception and on the Voter's Illusion." *Journal of Personality and Social Psychology* 46(February), 237-248.
87. Sen, S., and C. B. Bhattacharya (2001), "Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility", *Journal of Marketing Research*. 38,225-243.
88. Mohr, L. A., Webb, D. J. and Hards, K. E. (2001). Do Consumers Expect Companies to be Socially Responsible? The Impact of Corporate Social Responsibility on Buying Behavior. *The Journal of Consumer Affairs*, Summer, 45-72
89. Swaen, V. and J. Vanhamme (2003), "See How 'Good' We Are: The Dangers of Using Corporate Social Activities in Communication Campaigns", *Association of Consumer Research Proceedings*, October, Toronto, Canada, forthcoming.
90. Menon S., Kahn B.E. (2003) "Corporate Sponsorships of Philanthropic Activities: When do they impact perception of sponsor brand?" *Journal of Consumer Psychology* 13(3), 316–327
91. Zeynep G.i , Batra.R (2004) : " When Corporate Image Affects Product Evaluations: The moderating role of perceived risk: *Journal of Marketing Research* Vol XLI (May 2004), 197-205
92. Yeosun Y., Zeynep G., Norbert S., (2006) " The Effect of Corporate Social Responsibility (CSR) Activities on Companies With Bad Reputations" *Journal of Consumer Psychology* , 16(4), 377–390
93. Brammer, Stephen. J. and Pavelin, Stephen. (2006). 'Corporate Reputation and Social Performance : The importance of Fit' , *Journal of Management Studies* 43:3 2006
94. Bennett A., Chakravarti A. "Self and Social Signaling Explanations for Consumption of CSR-Associated Products" *Advances in Consumer Research* (Volume 35) / 1011
95. Xiaoli N. and Kwangjun H. (2007) "Examining the Role of Brand-Cause Fit in Cause-Related Marketing" *Journal of Advertising*, vol. 36, no. 2 (Summer 2007), pp. 63–74. 2007 American Academy of Advertising. All rights reserved.

96. Shuili D., Sen, S., and C. B. Bhattacharya (2007), "Convergence of Interest – Cultivating consumer trust through corporate social initiatives.", *Advance in Consumer Research* Vol. 34, 687.
97. Remi T., June C., (2009) : “Does it pay to be Good?” : MIT SLOAN Management Review Winter 2009 :P.p. 61:67
98. Singhal R (2006) Learning **to make** profit **with** clean conscience URL: <http://epaper.timesofindia.com/Repository/ml.asp?>
99. Hardeep C., and Sharma R.D., :(2006) “ Implications of CSR on Marketing Performance a Conceptual framework” *Journal of Services Research*, Volume 6, Number 1 (April 2006 - September 2006) Institute for International Management and Technology.
100. Jensen, M. and Meckling W. (1976) : “Theory of the Firm: Managerial Behavior Agency Costs and Ownership Structure : <http://www.sfu.ca/~wainwrig/Econ400/jensen-meckling.pdf>
101. Dyer, W.G and Whetten, D.A.(2006) : Family Firms and Social Responsibility, Preliminary evidence from the S&P 500, *Entrepreneurship theory and practices* 30(6) : 785-802
102. Orlitzky, Marc and Diane L. Swanson (2002) “Value Attunement: Toward a Theory of Socially Responsible Executive Decision-Making,” *Australian Journal of Management* 27: 119-128. Ortigas Foundation, Inc. <http://www.ortigasfoundation.com.ph/focusareas4.asp> “PBE’s 1000 Teachers Program” January 23, 2008 <http://batobalani.wordpress.com/category/CSR/>.
103. Pendlenton A., Deakin S. (2004) : “Corporate Governance and work place employment relations : the potential of WERS 2004” : *Industrial Relations Journal* 38:4 , 338-355.
104. Collier J., Esteban R. (2007) : “Corporate Social Responsibility and Employee Commitment” : *Business Ethics: January 2007 Volume 16 number 1*
105. Brammer, Stephen, Andrew Millington, and Bruce Rayton. 2006. Do CSR policies affect employees' commitment to their organisations? . *People Management* 12 (3):52-52.
106. Friedman, M (1970). ‘The Social responsibility of the business is to increase profit’ . New York times Magazine , 13, September 122-6.



107. Jadeja,(Dr.)J .D. (1992). ‘Approaches towards the Social Responsibility in the Industrial Houses of Gujarat’, Sardar Patel University , Vallabh Vidyanagar. Pp 36
108. Ibid 37
109. Wright, P. and Ferris, S. 1997. Agency conflict and corporate strategy: the effect of divestment on corporate value, *Strategic Management Journal*, 18: 77-83.
110. Posnikoff, Judith F. "Divestment From South Africa: They Did Well by Doing Good." *Contemporary Economic Policy*, January 19
111. Teoh, Siew Hong, Ivo Welch, and C. Paul Wazzan. "The Effect of Socially Activist Investment Policies on the Financial Markets: Evidence from the South African Boycott." *Journal of Business*, 1999, vol. 72, no. 1.
112. Singh, S. (2007). ‘Triple bottom line reporting and Corporate sustainability’ Prentice Hall.
113. McWilliams, A. and Siegel, D. (2000). ‘Corporate social responsibility and financial performance: correlation or misspecification?’. *Strategic Management Journal*, 21, 603–9.
114. World Bank Council of Corporate Governance Report : 2003
115. Maria Jesus Munoz-Torres, Maria Angeles Fernandez Izquierdo and Maria RosarioBalaguer (2004) The role of fund management institutions in the development of socially responsible investments: an analysis of the Spanish case : Source International Journal of Electronic Finance archive Volume 2 , Issue 3 (October 2008) table of contents Pages: 314-329
116. Myers D. (2005): “ A review of construction companies’ attitudes to sustainability” *Construction management and economics* vol 23, 781-785
117. Calafell, V. J., Gutierrez M.S., Lopez S. ( 2006): “ Social Responsibility and Accounting a possible binomial” *International Advances in Economic Research* (2006) 12: 125-130
118. Abowd, J., Milkovich, G. and Hannon, J. (1990). ‘The effects of human resource management decisions on shareholder value’. *Industrial and Labor Relations Review*, 43, 203–36.
119. Worrell, D., Davidson, W. and Sharma, V. (1991). ‘Layoff announcements and stockholder wealth’. *Academy of Management Journal*, 38, 662–78.

120. Clinebell, S. and Clinebell, J. (1994). 'The effect of advanced notice of plant closings on firm value'. *Journal of Management*, 20, 553–64.
121. Russo, M. and Fouts, P. (1997). 'A resource-based perspective on corporate environmental performance and profitability'. *Academy of Management Journal*, 40, 534–59.
122. McWilliams, A. and Siegel, D. (1997). 'Event studies in management research: theoretical and empirical issues'. *Academy of Management Journal*, 40, 626–57.
123. David Waldman, Donald S. Siegel, and Mansour Javidan (2006). "Components of CEO Transformational Leadership and Corporate Social Responsibility," *Journal of Management Studies*, Vol. 43, No. 8, pp. 1703-1725
124. Siegel, Donald S.; and Vitaliano, Donald F. "An Empirical Analysis of the Strategic Use of Corporate Social Responsibility." *Journal of Economics and Management Strategy*, Fall 2007, Vol. 16, No. 3, pp. 773-92.
125. Paola Perez-Aleman, Marion S. (2008) :”Building value at the top and the bottom of the global supply chain MNC-NGO partnerships” *California Management Review* Vol 51 No.1 Fall 2008
126. Eilbirt, H. Parket I.R (1973): “The corporate social responsibility officer – A new position in the organization chart ” *Business Horizons* 1973
127. Ackerman R, W.(1973) “ How companies respond to social demands” *Harvard Business Review* July – Aug 1973
128. Lovedla M.L. , Baur R.A. and Terverton N.H. (1977) : “ Public Responsibility Committee on the board, *Harvard Business Review* May-June 1977.
129. Jadeja,(Dr.)J .D. (1992). 'Approaches towards the Social Responsibility in the Industrial Houses of Gujarat', *Sardar Patel University , Vallabh Vidyanagar*.
130. Sharma. Mona. (2006). 'Corporate Social Responsibility Impact assessment of the selected industrial houses of Gujarat', *The M.S. University of Baroda*
131. Fox.T. Ward.H. Howard.B. (2002). *Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study*: International Institute of Environment and Development

## **Chapter 4**

### **Overview of Air-conditioning Industry and CSR Approaches of Selected Companies of Air-conditioning Industry .**

- 4.6 Introduction of Air-Conditioning Industry
    - 4.6.1 Historic Perspective of Air-conditioning Industry
    - 4.6.2 Air-conditioning Industry in India
    - 4.6.3 Air-Conditioning Industry Terminology
    - 4.6.4 Air-Conditioning Industry Product Mix
    - 4.6.5 Market Size and Segment Analysis
    - 4.6.6 Competition Analysis Based on Product Segmentation
  - 4.7 Introduction of the Selected Air-conditioning Industry Companies of India .
    - 4.7.1 Introduction of M/s Blue Star Ltd
    - 4.7.2 Introduction of M/s Voltas Ltd
    - 4.7.3 Introduction of M/s Carrier Aircon India Pvt. Ltd
    - 4.7.4 Introduction of M/s ETA Engg. India Pvt. Ltd
  - 4.8 A Study of CSR Activities and Approaches of the Selected Companies
    - 4.8.1 A Study of CSR Approaches of M/s Blue Star Ltd
    - 4.8.2 A Study of CSR Approaches of M/s Voltas Ltd
    - 4.8.3 A Study of CSR Approaches of M/s Carrier Aircon India Pvt Ltd
    - 4.8.4 A Study of CSR Approaches of M/s ETA Engg. India Pvt Ltd
  - 4.9 Synthesis of CSR Approaches of Selected Companies – Diagrammatic View.
  - 4.10 Conclusion
-

## Chapter 4

### **Overview of Air-conditioning Industry and CSR Approaches of Selected Companies of Air-conditioning Industry .**

---

#### **4.1 Introduction of Air-Conditioning Industry**

In the ‘hot’ climate country like India, the common meaning or conventional understanding of the ‘Air-conditioning’ is ‘Cooling of the air’. However Air-conditioning as per the technical definition is,

*“Process of cooling or heating, cleaning, humidifying or dehumidifying air & distributing the air at proper velocity to achieve desired inside conditions. Air conditioner equipment power in the U.S. is often described in terms of "tons of refrigeration". A "ton of refrigeration" is approximately equal to the cooling power of one short ton (2000 pounds or 907 kilograms) of ice melting in a 24-hour period. The value is defined as 12,000 BTU per hour, or 3517 watts. Residential central air systems are usually from 1 to 5 tons (3 to 20 kilowatts (kW)) in capacity.”(1)*

Today air-conditioning has become a ‘need’ of modern day life in contrast to its earlier perception as ‘luxury’ 6-8 years back which is almost a ‘necessity’ now. That has give a boost to the industry to reach Rs.10,000 Crore mark by the end of the year 2010, and is expected to grow at Rs.38,000 Crore by the end of 2013. (2) ( Financial Report 2010 : Blue Star Limited).

In India Air-conditioning industry is approximately around 65 years plus old. Earlier most of the air-conditioning equipments were assembled and sold. (till mid 1950s.) Government foreign direct investment (FDI) regulation policies protected the Indian companies till 1990. Very few organized players like M/s Blue Star Ltd, M/s Voltas ltd.

were in existence in the total product range and players like M/s Amtrex Ltd , and others in the small airconditioners segment.

#### **4.1.1 Historic Perspective**

Mr. Willis Haviland Carrier graduated from Cornell University with a Masters in Engineering, in 1902 developed the first air (temperature and humidity) conditioning machine. One Brooklyn printing plant owner was troubled due to improper humidity and heat. Fluctuations in heat and humidity in his plant had caused the dimensions of the printing paper to keep altering slightly, was creating a misalignment of the colored inks. The new air conditioning machine created a stable environment and aligned four-color printing became possible. Mr.W.H.Carrier who is known as ‘Father of Air-conditioning’ developed a formula for optimizing the application of forced draft fans, developed ratings of pipe coil heaters & set up a research laboratory. He engineered & installed the first year-round air-conditioning system, providing for the four major functions of heating, cooling, humidifying & dehumidifying.

#### **4.1.2 Air-Conditioning Industry in India.**

In India Air-conditioning industry is approximately around 65 years plus old. Earlier most of the air-conditioning equipments were assembled & sold. (Till mid of 1950s.) Government Foreign Direct Investment (FDI) regulation policies protected the Indian companies till 1990. Very few organized players like M/s Blue Star Ltd , M/s Voltas ltd. were in existence in the total product range and players like M/s Amtrex Ltd , and others in the small airconditioners segment. However post 1992 , ( post liberalization policies), new players from the global world entered in to the India market, either on

their own or with a collaborative partnership business models. Mainly among them are like M/s Carrier Aircon Ltd , M/s York Ltd , M/s Emerson Climate Technologies etc. from USA. M/s Sanyo , M/s Toshiba , M/s Daikin and M/s Hitachi ltd are from Japan. M/s LG Electronics and M/s Samsung Ltd are leading global players from Korea. Other domestic players moving aggressively are like M/s Videocon Ltd , M/s Godrej Ltd.

At present in the country over 10 companies are competing Indian AC markets in different segments. Companies have formulated collaborative business models in various segments to ensure wide range of products in the various product segments, or service partnership models have been adopted to enrich services, or collaborations have been in place for strategic tie ups in the area of designing and engineering capabilities and to achieve various economics of scale benefits. (3)

#### **4.1.3 AC Industry Terminology.**

##### **(A) Airconditioning ‘Ton’ ( TR) :**

Capacities of the airconditioners or airconditioning systems are measured in the air-conditioning ‘Ton’ (TR). TR stands for Tones of Refrigeration. Generally product capacity varies from 0.5 TR to 1200 TR or plus. Domestic air-conditioners of smaller capacity units vary from 0.5 to 5.0 TR capacities , Air-conditioning systems for light Commercial projects varies from 5.0 TR to 500 TR capacities and Air-conditioning systems for industrial projects varies from 200 TR to 1000 TR plus.

**(B) ‘High Side’ and ‘Low Side’ of the Project:**

Airconditioning system projects generally used to have two important dimensions. (a) Supply of main airconditioning equipment from the manufacturer, which is known as “High Side” of the project in the industry terminology while (b) The other associated work installation of the equipments, water or refrigerant piping work, sheet metal duct work for the air transport etc. are known as “Low Side” work as per the industry terminology.

**4.1.4 Air-conditioning Industry Product Mix**

Air-conditioning industry contains mainly a product mix as per enclosed a product mix table below as per Table 4.1

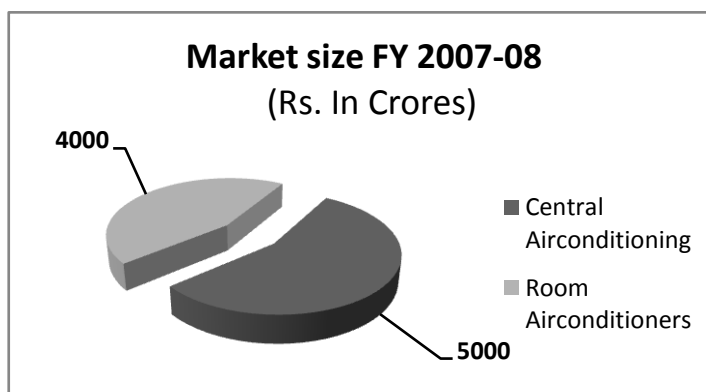
**Table 4.1 Product Segmentation of HVAC industry**

<b><u>Central Airconditioning</u></b> <ul style="list-style-type: none"><li>• <u>Screw Chillers</u></li><li>• <u>Scroll Chillers</u></li><li>• <u>Double Skin Air Handling Units</u></li><li>• <u>Fan Coil Units</u></li><li>• <u>Packaged ACs &amp; Ducted Splits</u></li><li>• <u>Long Distance Piping Packaged ACs</u></li></ul>	<b><u>Room Airconditioners</u></b> <ul style="list-style-type: none"><li>• <u>Window Airconditioners</u></li><li>• <u>Split Airconditioners</u></li><li>• <u>Cassette Airconditioners</u></li><li>• <u>Verticool Split Acs</u></li><li>• <u>Concealed Split Acs</u></li></ul>
<b><u>Commercial Refrigeration</u></b> <ul style="list-style-type: none"><li>• <u>Deep Freezers</u></li><li>• <u>Ice Machines</u></li><li>• <u>Water Coolers</u></li><li>• <u>Flexi Water Coolers</u></li><li>• <u>Bottle Coolers</u></li><li>• <u>Milk Coolers</u></li><li>• <u>Bottled Water Dispensers</u></li><li>• <u>Supermarket Display</u></li></ul>	<b><u>Cold Storages</u></b> <ul style="list-style-type: none"><li>• <u>Modular Cold Rooms</u></li><li>• <u>Refrigeration Units</u></li><li>• <u>PUF Insulated Panels</u></li><li>• <u>Ripening Chambers</u></li></ul>
<b><u>Specialty Cooling Products</u></b> <ul style="list-style-type: none"><li>• <u>Process Chillers</u></li><li>• <u>Telepacs</u></li><li>• <u>Precision Airconditioners</u></li><li>• <u>Precision Climate Seed Storages</u></li><li>• <u>Bulk Milk Coolers</u></li><li>• <u>Mortuary Chambers</u></li></ul>	<b><u>Transport Cooling</u></b> <ul style="list-style-type: none"><li>• <u>Bus Air conditioning</u></li><li>• <u>Cold storage vehicles.</u></li><li>• <u>Ship and Air-craft air-conditioning systems</u></li><li>• <u>Special Applications</u></li></ul>

Every company offers their own specialty and technology expertise in various product combinations. However selected companies here operates in each product segmentation and they mainly have solution for the various types of needs and customers.

#### **4.1.5 Market Size and Segment Analysis**

In 2007-08 the estimated market size is close to Rs. 9000 Crore (Source : Financial Reports of leading player like M/s Blue Star Ltd and M/s Voltas Ltd.). Of this, the market for central and Industrial air-conditioning was around Rs. 5000 Crores and the market for the domestic airconditioners like window airconditioners and split airconditioners was around Rs.4000 Crore. (Diagram.4.1) Industry has reported high growth over last few years due to the growth in infrastructure, power, service industry IT industry etc. in Indian Market. Market has been estimated by leading Industry players and business analyst to reach around Rs.38000 Crore by 2013. in the next three years time in India.



**Diagram 4.1: Overall Market Size of the Air-conditioning Industry in India.**

*(Source: Financial Report, M/s Blue Star Ltd- 2009.)*



#### **4.1.6 Competition Analysis Based on Product Segmentation.**

Air-conditioning has two major segments: Room Air-conditioning (RAC) & Central Air-conditioning (CAC).

Room air-conditioning typically signifies air-conditioning for domestic & light commercial applications wherein each room is air-conditioned by separate small AC unit. The size of such airconditioners used to be 0.5 Tr to 5.0 Tr.

Commercial and Central air-conditioning is air-conditioning of bigger & multiple areas with controls at single point. CAC is further branched product wise: Direct expansion (Dx) systems & Chiller Systems. Dx systems include PAC (Packaged & Ductable Split systems) & VRF (Variable Refrigerant Flow) systems. (These are the systems normally used for the commercial air-conditioning projects.) Chillers make use of refrigerant & water to air-condition the areas.

Diagram 4.2: represents the data of various companies present in the Room Airconditioners Markets and their relative position in terms of the number of product unit sold. Data represents that the total market of India was 2220500 units and Korean giant of consumer durable M/s L.G. Electronics clearly dominated in the market with 600000 units by keeping it's next rival and a Indian brand M/s Voltas with a sale of nearly 325000 units. Others small players in RAC market include Daikin, Fujitsu General, Fedders International, Kenstar, TCL etc.

### (I) Room Air Conditioners (RAC) Market and Trend.

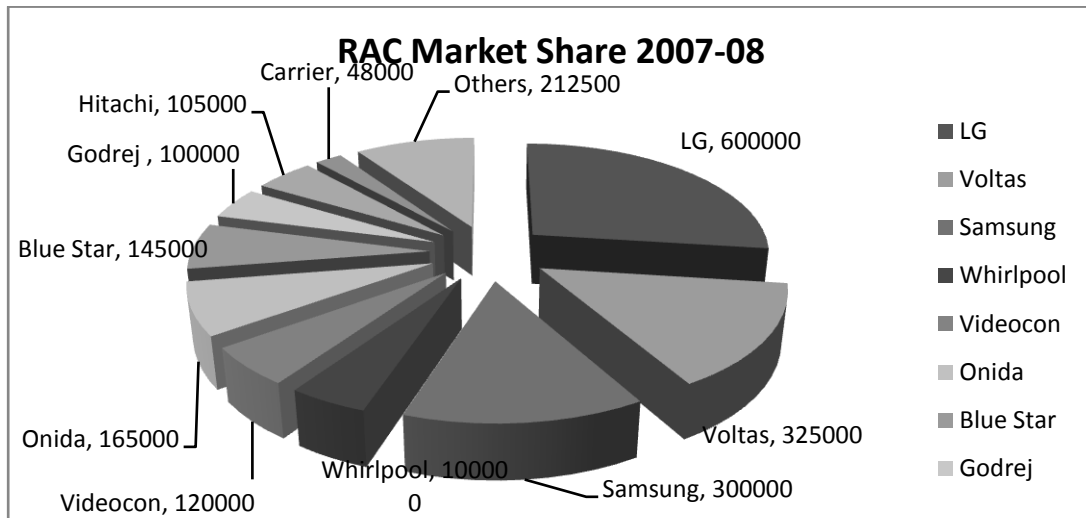


Diagram 4.2 : Competitor Analysis for RAC (Indian Market) for FY 2007-08

(Source: JARN, Japan Air Conditioning, Heating and Refrigeration News, 2008)

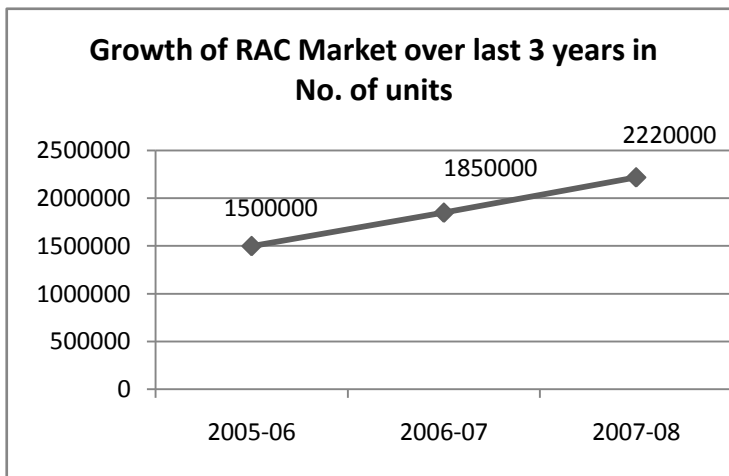


Diagram 4.3 : RAC Market Growth Trend for 3 years in Indian Market.

(Source: JARN, Japan Air Conditioning, Heating and Refrigeration News, 2006, 2007 & 2008)

Diagram 4.3 (above) clearly shows how the market for RACs have grown by leaps and bound to grow because of the hot India Climate and improved net disposable income of an individual. In last 3 years. The market size which was 150000 units in FY 2005-06 has grown to 2220000 units by end of FY 2007-08.

## (II) Packaged Air Conditioners PAC - (Central Air Conditioning Systems):

PACs quality, project execution capabilities & after sales service support plays a major role in decision making.

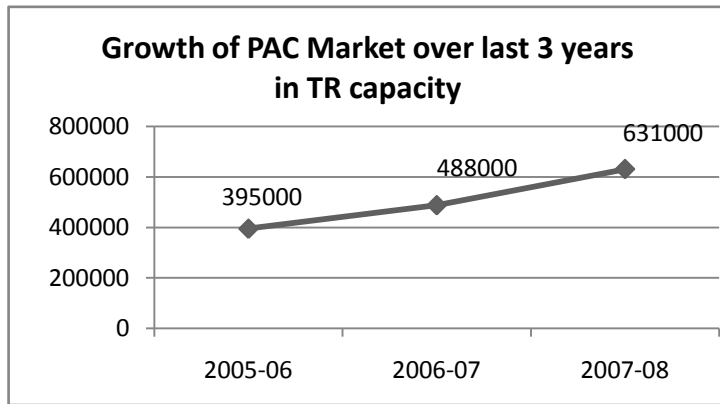


Diagram 4.4: Commercial Air-conditioning system (PAC) market growth rate trend in 3 years in Indian Market. (Source: JARN, Japan Air Conditioning, Heating and Refrigeration News, May 2006, 2007 & 2008)

The Diagram 4.4 below shows the trend of PAC market of 3 years. It is noteworthy that out of 8-9 players top three brands M/s Blue Star, M/s Carrier & M/s Voltas together serve around 70-80% of the market. PAC market has also grown with similar rates as RAC market, though the market size of PAC is smaller than RAC. (4)

### **4.2 Introduction of the Selected Companies of Air-conditioning Industry**

For the study purpose four of the leading air-conditioning companies have been selected.

- (1) M/s Blue Star Limited (Indian Multinational Company.)
- (2) M/s Voltas Limited (Indian Multinational Company.)
- (3) M/s Carrier Airconditioning & Refrigeration Limited (USA based global co.)
- (4) ETA Engineering Pvt. Limited (UAE based global Co.)

All the four companies selected for the study have a commonality that they have been present in India and they are present in all the market and product segments of the Industry. M/s Blue Star Ltd, and M/s Carrier Aircon India Pvt Ltd. are the companies present in the market only with air-conditioning and refrigeration products, while in case of M/s Voltas and M/s ETA, although they have other product or project lines, are popularly known as air-conditioning companies only. Other dominant players like M/s Samsung, M/s LG Electronics, and M/s Hitachi Air-Conditioners are some of the other known brand and examples of the industry. However they are well-known consumer durable brands (mainly present in only room domestic (room air-conditioners) or water cooler and deep freezer kind of product segments only.) And majority of them are not present in many of the high ended product segments of air-conditioning industry. These companies are basically consumer durable organizations with long product lines and depths which in turn makes them very small contributor to the air-conditioning industry.

#### **4.2.1 Introduction of M/s Blue Star Ltd (BSL, hereafter)**

##### **(A) Company Profile**

M/s Blue Star Ltd. is India's leading central air-conditioning company with an annual turnover of Rs.2557 crores, ( Year ended, March,2010) a network of 29 offices, 5 manufacturing facilities, 700 dealers and around 2000 plus employees. (Source : Company website : [www.bluestarindia.com](http://www.bluestarindia.com))

It fulfils the air-conditioning needs of a large number of corporate and commercial customers and has also established leadership in the field of commercial refrigeration equipment ranging from water coolers to cold storages. The Company has also started

offering Electrical Contracting and Plumbing and Fire Fighting Services. BSL's other businesses include marketing and maintenance of hi-tech professional electronic and industrial products, however it contributes a very small amount to the BSL turnover.

The Company has manufacturing facilities at Thane, Dadra, Bharuch, Himachal and Wada. Company has a three group of companies named as (a) Blue Star Infotech (b) Blue Star Design & Engineering (c) Blue Star M & E Engineering. Blue Star primarily focuses on the corporate and commercial markets. These include institutional, industrial and government organizations as well as commercial establishments such as showrooms, restaurants, banks, hospitals, theatres, shopping malls and boutiques. BSL promotes after-sales service as a business, by offering several value added services in the areas of upgrades and enhancements, air management, water management, energy management and LEED certification consultancy for Green Buildings.

### **(B) Company History**

Blue Star was founded in 1943, by Mohan T Advani, an entrepreneur. The Company began as a modest 3-member team engaged in reconditioning of air conditioners and refrigerators. Blue Star then ventured into the manufacture of ice candy machines and bottle coolers and also began the design and execution of central air-conditioning projects. In 1949 it became Blue Star Engineering Company Private Limited. Employee strength crossed the 1000 mark and the company went public in 1969 to become Blue Star Limited, as it continues to be called today. In 1984, Ashok M Advani and Suneel M Advani, the sons of Mohan T Advani, and the present Executive Chairman and

Chairman took over the operations of the company with a vision of, "To deliver a world-class customer experience" (5)

#### **4.2.2 Introduction of M/s Voltas Ltd (Voltas, hereafter)**

##### **(A) Company Profile**

Voltas is one of the world's premier engineering solutions providers and project specialists. The company is one among high brand value and 'TATA' group of company. M/s Voltas Ltd. is India's leading central air-conditioning company with an annual turnover of Rs. 4830 crores, ( Year Ended March, 2010) a network of offices all India and 3 manufacturing facilities, and around 3000 employees. (Source: Company website: [www.voltas.com](http://www.voltas.com)). Voltas offers engineering solutions for a wide spectrum of industries in areas such as heating, ventilation and air conditioning, refrigeration, electro-mechanical projects, textile machinery, mining and construction equipment, materials handling equipment, water management & treatment, cold chain solutions, building management systems, and indoor air quality. Company also undertakes electrical power projects environmental and water pollution control, pumping stations and water supply, and water and waste water treatment projects. Company has manufacturing units at Thane, Dadra and Pantnagar.

##### **(B) Company History**

Voltas is another largest project management and airconditioning company under the flagship of the "TATA" group, founded in India in the year 1954. Since 1954 company has been growing financially and has been a strong and ethical brand name and one of the important feathers of "TATA" group of companies in India. (6)

#### **4.2.3 Introduction to Carrier Airconditioning & Refrigeration Limited (Carrier, hereafter)**

##### **(A) Company Profile**

Carrier India is a part of Carrier USA, which is in turn representing the United Technologies Corporation, USA. UTC is global player with year 2010 revenue of USD \$55 billion. The UTC group operates in aerospace & building systems with companies like Carrier (air-conditioning), Otis (Elevators), Pratt & Whitney (Jet- engines), Sikorsky (Helicopters), UTC Fire & Security (Chubb & Kidde), Hamilton Sundstrand and Power. Diagram 4.5 shows the over all business contribution and performance of UTC and it's various business units world wide.



**Diagram :4.5 Business Units Vise Revenue for UTC-2010**

Carrier USA started its operations in India with setting up of companies namely Carrier Aircon Limited in 1986, and Carrier Refrigeration Private Limited in 1992. In October, 2006, Carrier Aircon merged with Carrier Refrigeration and the name of the merged

entity was changed to “Carrier Airconditioning & Refrigeration Limited” (Carrier India).

### **Carrier in India**

In India Carrier is present since 1994 with a manufacturing plant at Noida and employment of More than 700 employees. Company has a factory and ware house besides Carrier owned total line outlets and sales and service offices across the nation. Carrier sales couple of brands in the country Carrier and Toshiba (residential)

Carrier India pioneered HVAC dealership concept in the country. The Company has a network of over 590 sales and service dealers and 1000 distributors and retailers. One of the strength of the company is their distribution and dealership network. Carrier Air-conditioning and Refrigeration Ltd. too like other Indian industry giants like M/s Voltas and M/s Blue Star Ltd is present and focusing mainly on the corporate and commercial markets, as well as industrial and government markets, with a turn over of close to Rs. 1000 Crore (year end 2010) in India. It is also important to note that Carrier is also heavily focusing and one of the most recognized brands in domestic room air conditioners and split air conditioner business. Carrier has a unique segment of the all four companies selected here is the “auto and transportation” segment in their refrigeration products category.

### **(B) Company History**

Founded in 1915 by Dr. Willis Carrier, the inventor of modern air-conditioning, Carrier has developed into being the world’s largest provider of air-conditioning, heating and commercial refrigeration systems (HVACR) with operations in more than 170 countries, employing approximately 29,149 people worldwide and revenues of \$11.4



Billion in 2010 with an operating profit of \$ 1.1 Billion. History of M/s Carrier is of over close to 100 years with many technological alliances and collaborations, however the most noteworthy collaborations is the Company's tie up with world renowned technology leaders and Japanese major 'Toshiba' for their latest upgraded technology of Variable Refrigerant Volume (VRV) systems.(7)

#### **4.2.4 Introduction to ETA Engineering Pvt. Ltd. ( ETA , hereafter)**

##### **(A) Company History**

ETA in India is a subsidiary of ETA Ascon. In 1973, B.S. Abdul Rahman, a Hong Kong based Indian businessman, and UAE based entrepreneur Al Ghurairs started the organization ETA ASCON. Al Ghurairs was traditionally pearl merchants and real estate owners and a leading business family in Dubai, they realized the potential of such a venture in the emerging Middle Eastern markets which was then on the verge of massive growth in its own oil wealth. That gave a birth to a partnership firm Associated Constructions & Investments LLC (Ascon) now known as ETA Ascon. (8)

##### **(B) Company Profile**

ETA Engg.Pvt Ltd. (ETA) in India was started 1994, ETA Engineering undertakes HVAC projects, Electro-mechanical projects & services (EMPS) and Mechanical, Electrical and Plumbing (MEP) work including BMS, Internal Electrification and Sub-station Works meeting International Standards. ETA Engineering has two manufacturing plants at Sriperumbudur, Chennai and Pondicherry.

ETA ASCON, Dubai, a parent company of ETA Engg India Pvt Ltd. is a multi-faceted group having a turnover in excess of USD Six Billion with diverse areas of expertise in

activities such as Builders & Constructions, Engineering – Electromechanical & Elevator Works, Advanced Fire Fighting, Shipping & Trading, High Voltage transmission, Desalination, Powder coating, Retail & Leisure Business, Tours & Travels, Facilities Management, Automobiles, Environment, Manufacturing, etc.

ETA Engineering Pvt. Ltd. is a company registered in India having its registered office at Chennai and branch offices at major mega and metro cities of India

***ETA group of companies in India are***

- *ETA Engineering Pvt. Ltd. (Air-Conditioning and M & E Services)*
- *ETA Melco Engineering Co. Pvt.Ltd. ( Mitsubishi Elevators & Escalators)*
- *ETA Construction India Pvt. Ltd. ( Building Constructions)*
- *Transcars India Pvt. Ltd. (Maruti Dealers)*
- *Mincore Resources Pvt. Ltd. (Fertilizer & Coal Imports)*
- *Crescent Engineering College*
- *ETA Resources Pvt. Ltd. ( Shipping)*

Contribution of the ETA Engineering India Pvt. Ltd. is close to Rs. 800 Crore (Year ended March 2010.) through it's Indian operation to the total business sum of the ETA Ascon as per the information received from the officials of the company during the personal interview.

#### **4.3 A Study of CSR – Activities and Approaches of the Above Selected Companies.**

In this section, CSR activities and approaches of the following companies in order of their introduction have been studied with the help of secondary data published by the companies in their financial reports , various magazines and organized research journal or the institutions and the companies websites. The order of the study is as follows.

- (1) M/s Blue Star Limited
- (2) M/s Voltas Limited
- (3) M/s Carrier Airconditioning & Refrigeration Limited
- (4) ETA Engineering Pvt. Limited

For the sake of study of the broad CSR approaches adopted by the companies the CSR activities have been classified as follows. (Refer Table 4.2)

- (a) A Study of Corporate Governance and Reputation of the Company
- (b) A Study of Intrinsic CSR activities of the company (CSR approaches of the company towards it's stake holders like employee, dealers, vendors and shareholders.)
- (c) A Study of Extrinsic CSR activities of the company (Companies philanthropic activities, responsibility towards the society and global contemporary issues.)
- (d) A Study of Corporate Social Performance Index of the company with references to the Indian Inc.

<b>Table 4.2 A Study of the selected companies CSR approaches of HVAC Industry</b> <b>Selected Companies (1) BSL (2) Voltas (3) Carrier (4) ETA</b>				
	<b>Variables studied for understanding CSR Approaches of the companies</b>			
	<b>A Study of Company's Corporate Governance Practices</b>	<b>A Study of Company's Intrinsic CSR Practices</b>	<b>A Study of Company's Extrinsic CSR Practices</b>	<b>A Study of Company's CSR performance Index / Social reporting Practices.</b>
<b>Key areas studied under each variable</b>				
<b>A</b>	Corporate Existence of the Company	Intrinsic CSR approaches towards employees	Companies strategic belief for choosing extrinsic CSR areas.	A Study of companies Performance index on Karmayog/KLD /ESG etc. indexes.
<b>B</b>	Board of directors and legal responsibility of the company	Intrinsic CSR approaches towards stake holders like dealers/vendors distribution channels	A Study of companies extrinsic CSR approaches in the preferred area of CSR activities.	A Study of companies investment made through the indexes for CSR activities.
<b>C</b>	Emerging trends or innovative ways of building good governance	Intrinsic CSR approaches towards customers	A Study of community services and CSR activities carried out by company/executives.	A Study of social reporting practices of the company.
<b>D</b>	Code of Conduct -Guiding values and beliefs of the companies		Companies CSR approaches towards global and contemporary issues.	Notes : 1) KLD, Kinder Lydenberg Domini & Co. was the first in developing social index. 2) ESG – Environment Social and Governance Index.
<b>E</b>	Financial Governance via Financial Performance and important financial ratios.			
<b>Type and Sources of Data Collected</b>	Secondary data from financial journals / reports , Companies internal communication magazine, Business magazines, CSR indexes , Websites , Research journals/Personal interviews with the Top management executives of the company.			
<b>Scale/ Methodology / Articles referred</b>	Gokarn S. (2009) “Study of ESG Index” was followed to understand – Governance parameters.		Gray Robert & Hay (1977) “Social Responsibility of Business Managers” and Jadeja J.D(1992) “ Study of CSR Approaches of selected Industrial Houses of Gujarat.”	

#### **4.3.1 CSR Approaches of M/s Blue Star Ltd. (BSL)**

##### **(A) A Study of Corporate Governance of M/s Blue Star Ltd.**

###### **(i) Corporate Existence**

BSL is in existence with over 65 years and listed in both the Indian stock exchanges BSE (Bombay Stock Exchange) and NSE (National Stock Exchange) and has a sound top management leadership who govern the organization.

###### **(ii) Board of Directors – as per Legal and Mandatory Guidelines**

BSL has a sound Board of Directors as per the legal guide lines and which they call ‘Beyond Legal and Mandatory Guide lines’ because of the fact that the most of the directors are active directors and highly educated from the premier engineering or management institutes of the world and are involved even in the operations of the company too. Board does have a neutral director as per the guidelines, team headed by Mr. Ashok M Advani as executive chairman and his brother Mr. Sunil M Advani following as a vice chairman and managing director. (9)

It is important to note that in the detailed organization chart presented about senior management of BSL, Corporate Social Responsibility has been represented as a separate function under the marketing communication department, headed by General Manager. Corporate Social Responsibility has been clearly defined as a specific function and which is being handled at the Executive Chairman and President level. CSR has been integrated with corporate affairs and Corporate Strategy even. Strategic CSR model (Carroll 1991, Refer Page No. 73,74 of Literature Review Chapter, 3) has been adopted by the company for their CSR approaches and activities. (10)

**(iii) Code of Conduct and Practices.**

Though BSL does not have 'Code of Conduct' as a written document, company does have clearly spelled out 'corporate purpose' (Appendix– XIII), making it clear to all the stakeholders. It indicates that company is concerned about the organizations and employees behavior towards the business and the society. **(11)**

Company has a clearly defined guiding values and beliefs (Appendix - XIV) given to every employee. Every employee of the company has been given the Guiding Values and Beliefs of the company in the printed form as well as it has been mandatory to keep it as 'Screen Saver' of their desktop or laptop computer systems. **(12)**

***(iv) Financial Governance***

Good Governance leads to the profitability and shareholders wealth maximization, in case of the Blue Star, investors have trusted them as an ethical organization over 65 years and as a result of good Corporate Governance organization has grown substantially over a period of time as per enclosed financial snap-shot of last five years in Table – 4.3

## Financial Performance Snap-Shot

**Table – 4.3 (Financial Snap Shot BSL)**

Financial Performance	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010
Total Income (Rs.Crore)	930.92	1178.62	1607.41	2233.11	2519.00	2549.00
Operating Profit (Rs. Crore)	57.85	86.68	116.92	212.60	250.53	264.43
Profit before tax	62.44	69.09	92.60	206.70	238.22	262.66
Net Profit (Rs. Crore)	39.16	48.90	71.18	174.09	180.29	211.49
Operating Margin	6.30%	7.4%	7.3%	9.52%	9.45%	10.3%
Earnings/ share (Face Value = Rs2) (Rs.)	21.77	27.19	7.91	19.36	20.04	23.52
Dividend/share (Rs)	10	12	3.0	Na	7	8

**(Source : Financial Reports M/s Blue Star Limited)**

## **Highlights of the Financial Governance**

- Audited financial results are declared at the every quarter end, as per the guidelines and are being analyzed and published time to time. Annual general meeting with shareholders take place regularly.
- All the data are declared along with analysis and are accessible to the shareholders time to time.
- Company and the board of directors are sensitive, towards financial performance (Income has gone up from Rs.930 Crore to Rs. 2549 Crore in last 6 years and Net profit have gone up to Rs. 211 Crore from Rs. 39.0 Crore)
- Company declares dividends and EPS time to time. **(13)**

## **(B) A Study of Intrinsic CSR of M/s Blue Star Ltd.**

Intrinsic CSR as defined by various researchers is the ‘Company’s responsibility towards the direct stake holders of the company like Employee, Dealers, Vendors , Share holders etc. who are likely to be affected directly with the companies performance.’ This section of the study tries to understand the BSL intrinsic CSR towards its various stake holder.

### **(i) Intrinsic CSR Towards Employees**

#### ***Employee Relations and Development Efforts***

Top management of BSL considers shortage of skilled labor as one of the major threat to the industry and offers following innovative ways to attract the right manpower,

- There are well designed induction and technical orientation programmes. There is a Corporate Technical Training Organization (located at their Thane Plant)



which delivers a variety of technical training programmes for the AC&R business. Engineers who join the Electronics Division get a chance to go abroad for the training with the principal companies. The Corporate HR runs a menu of non-technical soft skills training programmes such as Business Communication Skills and Business Etiquette.

- The Company has many well designed, time tested HR practices such as setting the performance objectives at the beginning of the year, reviewing employee performance every year through an annual appraisal system and an annual compensation review based on market surveys. In addition to a market aligned salary structure, Blue Star also has a fairly attractive incentive scheme wherein, the employee gets an incentive based on his department's performance coupled with his own performance rating.
- To have fair and transparent employee relationships BSL also have a 360 degree feedback for the top executives performance appraisal as well as, HR department is consistently being evaluated on the ground of the Employee Satisfaction Index.
- Typically, graduate engineers can look forward to entering real managerial grades within 4 to 5 years. Once an employee enters the managerial grade, they are also exposed to a variety of management education programmes including some programmes at Indian Institute of Management (IIM) - Ahmedabad.
- Blue Star boasts the training programme called the 'Blue Star Way', which is founded on a set of values and beliefs which have evolved over time. These beliefs have made Blue Star a highly respected, secular organization. In today's

high attrition market, the Company continues to enjoy the privilege of retaining employees. (approximately less than 15% attrition rate.) (14)

### **Safety Policy at Works and Manufacturing Philosophy**

As a part of Corporate Governance in the company, Company also takes care of employees in manufacturing and have 'Corporate Safety Policy', as shown in the Appendix - XV. (15)

### **(ii) Intrinsic CSR with Dealers and Vendors**

No company can perform in business well with out the strong channel network in both consumer durable segment and engineering projects. BSL has wide network dealers in various product segments. It is important to note that in their project segments they have conceptualized on 'Brand Exclusivity' dealership concept. Dealers are typically called 'Channel Partners' or 'Extended Arms' in business of BSL. BSL has been successful enough in retaining its dealer's network post liberalization against competition due to its strong and ethical dealership relationships. According to the company executives company has achieved competitive advantage or an edge over competition due to the strong supply chain management. Dealer network has been a 'key growth driver' over a competition to them. BSL offers the following advantages to its dealers as well as vendors:

- Clearly spelled out dealership agreement and fair terms as well as profit sharing. BSL dealer enjoys 'Brand Equity' of the company.
- Quotas and segmentations of dealers territory in each product category has been done effectively.

- Constant support from both branch as well as service department on spare parts as well as on presales and post sales activities.
- The Company has many well designed; training department gives on job product and project training. Training centers set up a Pune and Thane plants give them techno-managerial trainings.
- To have fair and transparent employee relationships BSL also involve best performing dealers in the decision making process and strategic road maps of the companies business plan process as well as on various R&D and product development strategies.
- Professionally designed Dealers Satisfaction Index (DSI) is being evaluated every year and it has been linked with employee appraisal has been linked with Dealership Satisfaction Index.
- Elite dealer panel is also offered the other business advantages like they are exposed to a variety of management education programmes including some programmes at IIM. Bangalore.
- For a better vendor relationship management, company is equipped with upgraded software like BAAN (Name of the computer software designing company following founders name Jan Baan.) and SAP. (System Analysis Programme). Company has a regional centralized purchase system for factories and projects department to stream line buying process and to have fair vendor relationships.
- Company claims to have a long term vendor relationship with vendor and they do believe that vendors and in time material availability has helped them and is a

key factor which have given them high edge in achieving their mission of delivering 'World Class Customer Experience'.

**(iii) Intrinsic CSR towards the Customer**

Company is sensitive towards its prime responsibility of 'Maximizing Share Holders' fund, as claimed by Friedman in 1970. Customers are key to the success of any business. Keeping that in mind in their corporate purpose the mission is kept is 'To deliver world class customer experience.' To ensure the and achieving high level of Customer Relationship Management (CRM) they have taken certain innovative key steps like on line complaint on websites, toll free customer care numbers, mobile vans, service centers, trained service dealer network etc. However, it appears that company does not have any consumers' grievance management cell in practice; corporate office only handles the same.

**(C) A Study of Extrinsic CSR of M/s Blue Star Ltd.**

It is important to note that the responsibility of the Corporate Social Responsibility and Corporate Governance have been directly headed by the Executive Chairman and Managing Director, Mr. Ashok M Advani level. This shows companies commitment to the social responsibility to the stake holders and the society both.

**(i) BSL Corporate Thinking About Extrinsic CSR**

BSL Executive Chairman, **Ashok M Advani** has reported in his speech about his thinking on BSL CSR initiatives (**April 1<sup>st</sup> 2008**) as follows.

"Since BSL early years more than a six decades ago, we have believed in doing business in accordance with the basic business principles of our Founder Chairman

M.T.Advani. These values and practices were first systematically spelt out in the form of the “Corporate Philosophy” published 20 years ago.

With the passage of time, the environment changed and so did the company. Five years ago, we enunciated the “Values and Beliefs of Blue Star” laying down our responsibilities to our stake holders. And recently, we put in all together in an integrated packaged called “The Blue Star Way” that provides code of conduct for Bluestarites and Business Associates. Even though our thinking has become more refined and the language more sophisticated, the essence of M.T. Advani’s values has remained intact. He was not satisfied with merely following the laws of the land; he felt it was necessary to do something extra like helping less privileged people. More than 40 years ago, He setup Blue Star Education trust to provide financial assistance to children of employees to acquire higher education and vocational skills that would help them to get decent jobs. Many of our children have benefited from this assistance and are leading productive, satisfying lives today. Some years ago, the trustees renamed it to ‘Mohan T. Advani Education Trust’, in his memory. In the last 15 years, a number of additional employee welfare trusts have been added to extend the Company’s welfare activities.

Mr. Ram Malani, who was Chairman before I took over, decided to broaden the Company’s social involvement beyond employees, by establishing The Blue Star Foundation in 1982. The Foundation was created as a public trust, with a corpus donated by the company for charitable assistance to needy sections of the society. It is registered under section 80(CC) of the Income Tax Act and donates money for education, medical assistance, relief of poverty and disaster relief.

The Company's charitable involvement also includes making contributions to match those of employees for national calamities like the Gujarat earthquake, the Kargil War and the Tsunami destruction. It is heartening to see that Blue Starites have a strong, patriotic sense, as does the company.

So far, BSL's philanthropic activities have followed a fairly conventional path starting with employee welfare and moving on to charitable donations for a variety of deserving causes. This is typical of a number of like-minded Indian business organizations and our total expenditure has remained relatively modest.

When company was smaller and less profitable, we just could not afford to take up much more than what we were doing. Happily, the financial constraints are no longer such a serious problem. BSL's rapid growth in recent years has brought the company to a level where we can consider broadening and enlarging our involvement in social causes. There are many other challenges facing the society that need to be tackled. Clearly BSL can and must play a role in this endeavor.

If I elaborate this point, Even though economic growth is enabling making to escape from the trap of poverty that results, hunger, disease and deprivation, this "progress" is extracting a high price from society. Economic development has lead to a number of new problems there are causing growing concern. These include air and water pollution that affect our health, the destruction of forests and wildlife with their impact on the environment, global warming and its catastrophic consequences for future generations, and depletion of natural resources like oil, leading to high cost and shortages of fuel and energy.

Until recently, the CSR was usually, a subject of interest in academic circles and management schools. The good news is that CSR has emerged into the public domain as awareness has spread of the numerous, new social and environmental challenges facing mankind. These problems are of such great importance that it is no longer enough for a responsible corporate to focus only on its business while ignoring the wider impact on the society. It will take the collective participation of Government, Business entities, NGOs and individuals to tackle the huge challenges that threaten our very existence.

In BSL, we took a decision last year to begin a more active involvement as a good Corporate Citizen to demonstrate our commitment to CSR. The first step was to choose from the vast range of possibilities a few specific problem areas to focus on. With limited available resources, it would be a mistake for us to take on too much. We eventually chose two broad causes :

- Energy conservation
- Environmental Protection.

So far, BSL's role in employee welfare and charity has been limited mainly to financial support. CSR needs much more than money. Managerial and technical involvements are equally important for achieving tangible results. Each of the chosen areas offers ample opportunities to use our technical resources and expertise to make a meaningful difference. And both tie in well with our Corporate Purpose and brand image. This is why I would like Blue Starites to stand for the active support of our two chosen causes.

The new CSR initiatives will not replace the current philanthropic activities of the company. These will continue on a bigger scale because deserving humanitarian causes are always desperately short of funds. We are also getting more active in helping

villages and people living in the vicinity of our factories. Providing wells and vocational training for the local people are two simple examples of what can be done that does not cost much but helps them significantly.

We are now in the process of establishing a small corporate group to drive BSL's CSR programme. They would issue a CSR policy, plan specific projects, monitor implementation and provide support to projects in the field." (16)

**Mr. R.G.Devnani** , Vice President (Manufacturing). - Blue Star Ltd., has expressed during the personal interview with researcher that, Corporate Social Responsibility is very much desirable from the corporate world, because it not only support to the society and the business but it strengthens country too. While sharing his valuable inputs on CSR activities of BSL, he mentioned that "The company has laid down clearly spelled "Guiding Values and Beliefs of Blue Star" for the employees, to guide them continuously towards their ethical behavior. On the extrinsic CSR efforts, BSL has been committed to work towards environment protection. Some efforts made in this direction are like, company is phasing out non-environment friendly products gradually and focusing on manufacturing and promoting only the environment friendly products way ahead of the legal and mandatory guidelines. Mr. Devnani also mentioned that "BSL has been continuously improving its products on energy efficiency, for example recently launched "Star Rated" products which saves energy by around 15% plus." On account of community services he added "Both company and its employees have taken lots of initiatives like , helping people and the country in the natural calamities during the tough time like Kargil War, Gujarat earthquakes, Mumbai train blast through the donations, Organized Health and T.B. Check up camps at Wada Plant of BSL, Created



bore wells for the villages near factory as a part of rural development programme, Education aids to the employees and the society through ‘Sahayta foundations’. BSL and its management is working towards employee development through training and education aids, as well as organizing family functions timely, BSL has also supported in road construction at Dadra Etc.” According to Mr. R.G.Devnani BSL have realized and started organizing its CSR activities through the senior leadership and management. BSL has also urged employees and their dealers in extending arms for the community support and CSR activities. (17)

**(ii) CSR Initiatives of BSL :**

Blue Star’s Corporate Social Responsibility (CSR) philosophy is built on three pillars i.e. Energy conservation; Community development, around its facilities and Environment protection

**(I) Energy Conservation**

The Company is highly committed to the cause of protecting the environment. Energy efficiency of its products remains a corner-stone of its research and development efforts Air, water and energy management services as well as LEED (Leadership in Energy and Environmental Design) consultancy for Green Buildings have been part of its business and practices. The Company has also been contributing in the technical domain in the use of eco-friendly refrigerants in its products.

Energy Conservation goes beyond using efficient products. A huge amount of energy is wasted nationally due to sheer ignorance and lack of awareness. Blue Star helps deserving institutions such as hospitals and colleges to save power by conducting free walk-through energy audits. The Company has conducted several such audits with

energy recommendations for Jai Hind College, St Xavier's College, Nirmala Niketan College of Social Work, and National Association for the Blind (NAB), Bombay Natural History Society (BNHS), JJ School of Architecture and Dilkhush Special School, amongst others.

## **(II) Community development around its facilities.**

In its efforts towards community development around the Company's facilities, the Company has initiated and sponsored a study programmes in the villages around its Wada Plant to understand the immediate needs. Vocational training and health emerged as pressing needs in this underdeveloped region. Blue Star has sponsored the vocational training courses offered by an NGO, Khewadi Social Welfare Association (KSWA) in Wada. This centre was set up to support a vocational training initiative for school and college dropouts to make them employable contributing members of their families and communities. Regular visits by the Company's employees have aided in technical support to KSWA for conducting the courses.

In addition to the above CSR efforts, the Company sponsors various philanthropic activities through its Trust, Blue Star Foundation, which has been supporting several activities in the areas of children education and healthcare apart from relief measures in national calamities.

Blue Star and its employees firmly believe that, the organizations must look beyond making profits and should contribute to the development and welfare of the society. This attitude is most evident in the outreach initiatives organized by Blue Star's factories. Blue Star factories take active participation in providing temporary shelters and essentials for the victims of Bhuj earthquake, Company and Employees put equal

contribution donation to ‘Bhuj Earthquake’ and ‘Kargile Relief Funds’ (Close to Rs. 1.0 Crore.) sponsoring health check-ups and health education programs in local schools. Their families of the workers and operators are considered an integral part of social development. Blue Star gives them appropriate advice on personal matters, financial and investment matters. The family members are also imparted training on diverse subjects. They are taught English as well.

### **(III) Environmental Initiatives**

Blue Star's factories have been exquisitely landscaped with lawns and flowering plants dotting the campus. Trees have also been planted on a proactive basis even outside the Blue Star factories. As a responsible organization, special Effluent Treatment Plants (ETP) are installed to dispose off the wastes generated. Additionally, all the factories are designed for rain water harvesting. Blue Star is actively promoting the products which are fitted with environmental friendly refrigerant gases like R134 A and R 410 A.

### **(D) A Study of Corporate Social Performance Index of M/s Blue Star Ltd.**

M/s Blue Star Ltd have been sensitive towards the inclusion of their CSR efforts and activities in their financial reporting since couple of years. They have also reported on the “Karmayog CSR Index” about their CSR activities in last two years. Their comparative ‘Karmayog CSR rating’ are presented in Table 4.4 and Table 4.5 represents the summary of BSL CSR approaches and practices. **(18)**

*Amount spent on CSR: Blue Star Foundation invest approximately Rs. 1.0 Crore every year towards the Social responsibility funds since last five years.*

**Table 4.4 (Karmayog CSR Index rating BSL)**

Sr. No.	Year	Turn Over Rs. (cr)	Recommended Minimum CSR Spend- 0.2% of income (Cr)	Actual CSR Spend	Net Profit Rs.(cr)	Sector	Karmayog CSR Rating	CSR Reach <sup>1</sup>			Principal Areas of CSR Activity
								a	b	c	
1	2005	930	0.78	NA	39	Heavy Engineering	1/5		y		disaster, education
2	2006	1179	0.98	Approx. Rs. 1.0 Crore / Year	49	Heavy Engineering					
3	2007	1607	1.42		71	Heavy Engineering					
4	2008	2233	3.48		174	Heavy Engineering	1/5		y		disaster, education environment, health
4	2009	2519	3.6		180	Heavy Engineering	2/5		y	y	

<b><sup>1</sup> Karmayog CSR Reach</b>
None
"a": CSR is for employees only
"b": CSR is within the vicinity
"c": CSR is for society at large
"b"& "c" together
<b>Total</b>
Note : " y ": Yes the company conducts this CSR program

**Table 4.5 Summary of CSR Approaches of Blue Star Ltd.**

<p><b>Highlights of Corporate Governance and Ethical Behavior.</b></p> <ul style="list-style-type: none"> <li>➤ Clearly spelled out ethical guidelines, values and beliefs.</li> <li>➤ Regularly following SEBI /RBI guidelines and keeping stake holders posted about the Cos. Activities.</li> <li>➤ Constantly working for shareholders welfare.</li> <li>➤ Sound board of director and have been growing over the year after year and giving fair and reasonable return to shareholders' funds.</li> <li>➤ Chairman of the company has aim to take the personal and brand value of company toe take to 'TATA' and 'Infosys' level – existence of the company is for over 66 Years.</li> </ul>	<p><b>Intrinsic CSR Approaches</b></p> <ul style="list-style-type: none"> <li>➤ Taking care of the employees , having professional performance appraisal system, and performance linked incentive plans.</li> <li>➤ Having well constructed training and development center and consistently empowering employees and dealers through training and development.</li> <li>➤ Having SAP, BAAN kind of software for the better channel and vendor management.</li> <li>➤ Clearly spelled out dealership and policy and vender agreements.</li> <li>➤ Having loyal association with the employees and dealers.</li> </ul>
<p><b>Extrinsic CSR Approaches.</b></p> <ul style="list-style-type: none"> <li>➤ Three main pillars of extrinsic CSR are Energy conservation, Environment protection and Community development.</li> <li>➤ Investing heavily in creating environment friendly products and being industry leader ,leading the change of technology.</li> <li>➤ Through Mohan T. Advani foundation host of community development activities in the areas near manufacturing plants are conducted.</li> <li>➤ Major examples of donations are, Kargil relief fund, Bhuj earth quakes, creation of basic facilities at the Villages near Dadra and Wada plants.</li> <li>➤ Conducting 'Energy Audits' to promote the 'Energy Savings'.</li> <li>➤ Donation is also made in the area of education.</li> </ul>	<p><b>CSR Reporting / Index.</b></p> <ul style="list-style-type: none"> <li>➤ CSR concept has been emerging as a Strategic management concept, however company has started allocating managerial and professional resources to it, but no structured CSR reporting has been in practice till the date.</li> <li>➤ Karmayog CSR index rates 1 out of 5 based on the variables like CSR expenditure and supporting society.</li> <li>➤ Company invests approx., Rs. 1.0 Crore from the profit towards CSR causes and community development.</li> <li>➤ In it's innovative approach towards the extrinsic CSR, Company has urged a wide dealership network to join hand with the company and donate Rs.5000 per year for a social cause and joined BSL- Social initiatives.</li> </ul>

#### **4.3.2 CSR Approaches of M/s Voltas Ltd.**

##### **(A) A Study of Corporate Governance of M/s Voltas Ltd.**

###### **(i) Corporate Existence**

Voltas is a premier engineering solutions providers and HVAC project specialists group under the ‘TATA’ group of companies. Founded in India in 1954, Company is in existence with over 60 years and listed in both the Indian stock exchanges BSE (Bombay Stock Exchange ) and NSE (National Stock Exchange) and has a sound top management leadership which governs the organization. (19)

###### **(ii) Board of Directors – as per Legal and Mandatory Guidelines**

Company has a sound Board of Directors under the leadership of Mr. Ishaat Hussain as Chairman and Mr. Ashok Soni as Managing Director. (website details till April 2009) They held board meetings regularly and financial report since 2001 has been inclusive of summary of the board meetings and annual general meetings of the board as per the legal requirements. (20)

###### **(iii) Code of Conduct and Practices.**

“Whether it be product quality, people, business systems or knowledge or customer satisfaction, whether it be in contributing to the development of society or protecting the environment, Voltas sets - and is driven by - new values in all these areas. To institute excellence at work and to achieve a competitive edge in the marketplace, Voltas has made the Tata Business Excellence Model (TBEM) a way of life in all activities. TBEM offers the best way to improve business performance, bringing about a common platform for people to share their knowledge, follow the best business practices and pursue excellence across all functions.” claims the Voltas Chairman. (21)

Companies association with brand TATA has brought in the code of conduct for the company being clearly spelled out as per the principles laid down for “TATA” group of companies. At each level of organization a “TATA” code of conduct (TCOC) have been clearly spelled out and company stake holders are expected to adhere to that code of conduct strictly. Appendix - XVI , gives details about the ‘TATA Code of Conduct’, to be followed by Voltas employees. It is worth noting that Voltas is the only Indian organization has ‘Code of Conduct’ as written document in the HVAC industry which is also available with every employees.

***Voltas has developed a ‘Green Mission’ in line with their commitment to environment as follows***

- *We minimize wasteful energy consumption in our branded products*
- *We form representations and alliances with global technology leaders who also follow a Green path*
- *We offer -- and encourage the use of -- technologies that purify the air, lower energy costs, and purify polluted water and industrial/urban effluents. For specifics, read about Variable Refrigerant Flow, Vapor Absorption Machines, engineered ozone systems, water management, Vertis Star-Rated ACs, 'green' building projects.*
- *Finally, we follow the most stringent practices of eco-friendliness, sustainability and safety in our manufacturing operations. (22)*

### ***Ethics At Voltas***

The Ethics Counselor, Officers and Ethics Committee promote and facilitate ethical behavior within the Company, and with all agencies or business partners (including but not limited to customers and vendors) in their dealings with the Company. The policy of ethics is followed at all branches, manufacturing units and other locations, overseen by Location Ethics Counselors. Location-level initiatives include: **(23)**

They do follow following activities,

- Periodically conducting both formal and informal sessions on the TCOC
- Inculcating Voltas' ethical values among suppliers, vendors and contractors
- Broadening the perception of the TCOC beyond a set of dos and don'ts
- Encouraging employees to think beyond their normal orientation towards solutions, using case-studies as a teaching tool for greater understanding and participation. It lays a strong emphasis on leadership, strategic planning, customer and market focus, process management, information and analysis.” (24)

### **Manufacturing values**

Voltas' manufacturing plants have all been certified for ISO 9001:2000 by TUV of India. Voltas plants claims to give the highest priority is given to protection of the environment, (Appendix XVII, Voltas environment policy). (25)

### ***(iv) Financial Governance***

Snap shot of the financial Governance and growth of the company in the last five years of Voltas Ltd has been displayed here in Table -4.6.



### Financial Performance Snap-Shot

**Table – 4.6 (Financial Snap-shot Voltas)**

Financial Performance	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010
Total Income (Rs.Crore)	1441.14	1904.18	2450.78	3086.17	4070.25	4565.08
Operating Profit (Rs. Crore)	52.62	117.9	155.1	277.6	297.95	455.46
Profit before tax	57.66	91.69	227.9	307.5	367.33	485.64
Net Profit (Rs. Crore)	50.41	70.49	186.08	208.37	254.54	384.56
Operating Margin	3.7%	6.19%	6.33%	9%	13.6%	10%
Earnings/ share (Face Value = Rs1) (Rs.)	15.2	21.3	5.62	6.32	7.63	11.51
Equity /share (Rs) Face Value Rs. 1/ Each	22.03	16.27	11.5	72.96	58.48	NA

**(Source : Financial Reports M/s Voltas Limited)**

### **Highlights of the Financial Governance**

- Audited financial results are declared every quarter end as per the guidelines and are being analyzed and published time to time. An annual general meeting with shareholders takes place regularly.
- All the data are declared along with analysis and are accessible to the shareholders time to time.
- Company and the board of directors are sensitive, towards financial performance (Income has gone up from Rs.1441 Crore to Rs. 4565 Crore in last 6 years and Net profit have gone up to Rs. 52 Crore from Rs. 384.0 Crore)
- Company declares dividends and EPS time to time. **(26)**

### **(B) A Study of Intrinsic CSR of M/s Voltas Ltd.**

Intrinsic CSR as defined by various researchers is the ‘Company’s responsibility towards the direct stake holders of the company like Employee, Dealers, Vendors , Share holders etc. who are likely to be affected directly with the companies performance.’ This section of the study tries to understand the Voltas intrinsic CSR towards it’s various stake holder.

#### **(i) Intrinsic CSR Towards Employees :**

Voltas Ltd believes in long term employee satisfaction and relationship and that’s why tries to increase average employee life of the company year by year. Clearly spelled out HR policy of Voltas Ltd considers employee as ‘an important stake holder” Voltas Ltd HR policy is as under.

## **Voltas HR policy**

“The cornerstone of the Voltas Human Resources Management philosophy is the conviction that the well-being of the company and of its people are interdependent; and that the company's most valuable assets are its people.” (27)

Voltas commitment to their Human Capital,

- (1) To employ the most competent, on the basis of merit
- (2) To ensure that every employee is treated with dignity and respect, and in a fair, consistent and equitable manner
- (3) To create a stimulating, enabling and supportive work atmosphere
- (4) To aid and encourage employees in realizing their full potential
- (5) We recognize that the success of this philosophy depends in a large measure on the manner in which managers and their team members - at every level - carry out their duties and obligations to each other and to the company. Without mutual confidence and loyalty among employees, as well as respect for each other as human beings, our philosophy will not work.
- (6) Managers at all levels are committed to the following principles
- (7) Have knowledge of, and accept total responsibility for, the success of the organization's human resources philosophy, policies and procedures, and review them with team members to ensure their total understanding.
- (8) Ensure consistent and fair application of all HR policies.

## ***Employee Relations & Development Efforts***

- (a) Scientifically designed training programmes like induction training, behavioral training , technical trainings etc.
- (b) Well designed HR policies and in time performance appraisals, incentive based salaries to ensure fair and transparent employee relationships.
- (c) Grants and education scholarships for the children of employees.
- (d) Family relationships with in the organization among the employees.

### **(ii) Intrinsic CSR with Dealers**

Voltas has a dealer network only for the domestic products, the sales and services of the central airconditioning business has been handled by the company directly, however they have dealership policy manual, specifying all the terms and conditions clearly and company is rated high in terms of the relations with the dealers and sub-vendors.

### **(iii) Intrinsic CSR with Customer**

VOLTAS CSR Commitment to Customers:

“ Company’s commitment is to provide a single-window solutions - As a customer, you're assured of exceptional value in end-to-end solutions integrated and customized from a one-point source for our all the applications. At Voltas, we believe that our relationship doesn't end when you buy our products. It's just the beginning.” Says Chairman of Voltas. (28)

### **Innovative V- Service Concept of Voltas**

V Service – is Voltas after-sales service network. They have designed comprehensive maintenance contracts at nominal rates to make sure customer’s Voltas experience is long-lasting. Customer can avail this service from a number of dealers/franchisees spread across the country. V- Service Concept is equipped with, Database management, Service par excellence, Manpower training programs, IT resources and prompt service vans streamline the service procedure and ensure utmost efficiency, End-to-End Customer service solutions etc. Voltas does have innovative customer care mechanism like Website support, Toll free customer service numbers, Service centers spread all across the country, Call center numbers etc. (29)

### **(C) A Study of Extrinsic CSR of M/s Voltas Ltd.**

Ratan Tata, “The Tata group has always believed in returning wealth to the society it serves. Two-thirds of the equity is Tata Sons, the Tata group’s promoter company, is held by philanthropic trusts which have created national institutions in science and technology, medical research, social studies and the performing arts. The trusts also provide aid and assistance to NGOs in the areas of education, healthcare and livelihoods. Tata companies also extend social welfare activities to communities around their industrial units. The combined development-related expenditure of the Trusts and the companies amounts to around **2-4 percent** of the group’s net profits.”

Going forward, the group is focusing on new technologies and innovation to drive its business in India and internationally. The Nano car is one example, as is the Eka supercomputer (developed by another Tata company), which in 2008 is ranked the world’s fourth fastest. The group aims to build a series of world class, world scale businesses in select sectors. Anchored in India and wedded to its traditional values and strong ethics, the group is building a multinational business which will achieve growth through excellence and innovation, while balancing the interests of its shareholders, its employees and wider society.

Extrinsic CSR is a part of business strategy of the company. It is important to note that VOLTAS in the Air-conditioning Industry in India spends considerable amount (average close to 2% of net profit) towards the extrinsic CSR and it is one of the leading company in the Karmayog CSR index (3/5) and one among the top 100 companies list of doing extrinsic CSR activities .

### **(i) Voltas Thinking About Corporate Sustainability**

Ratan Tata, Chairman of TATA group says: “It is fitting that sustainable value-creation occurs at Voltas in the spheres of both people and technologies. Today’s increasing ‘Green’ concerns find an echo in Voltas culture, and in the hearts of Voltas employees. They are the focus of initiatives which are yielding valuable returns, in an increasing quantum. Community service too takes a technological turn, in which our ‘know-how’ is used to build entrepreneurial self-reliance within the community.

“The current growth of our economy and the confidence with which we face the world provide a compelling context in which corporate need to engage with the larger social and ecological habitat. In the coming years, it will more and more be necessary for Voltas – as for all corporate – to encourage and generate internal passion for volunteering and community service, as well as to focus the organization's efforts into sustainable community benefit.”

Voltas team is blessed with the legacy of the parent Tata Group, of being able to return benefits to society while serving the community and nation. It's an opportunity to spread joy and happiness, while enhancing one's competitive advantage as well as corporate reputation. (30)

### **(ii) Examples of Voltas Extrinsic Community Services.**

- **Students of Joseph Cardijn Technical Institute Visit Voltas- Thane Plant**

Since 2001, Voltas has partnered with the Joseph Cardijn Technical Institute (JCTI) for vocational training. As its 'core competency project', Voltas conducts a certificate

course in air conditioning in coordination with the Institute. Students of JCTI are also given opportunity to visit Voltas manufacturing plants. (31)

- **Voltas Employees Participates in Mumbai Marathon**

Since 2009, Voltas volunteers registered enthusiastically for the dream run in the Mumbai Marathon, It's noteworthy that Mumbai Marathon is organized for the social goal and causes. (32)

- **Voltas Ties up with GMRVF for Community Development Initiative**

Voltas is allied with GMR Varalakshmi Foundation (GMRVF), the grass-roots change agent of GMR Industries, as partners in Corporate Social Responsibility. The specific initiative undertaken is the introduction of a Certificate course in refrigeration and air conditioning, at the Centre for Empowerment and Livelihood (CEL) at Shamshabad. The project brings into play the invaluable experience gained by Voltas volunteers engaged in our Core Competency Project at Mumbai's Joseph Cardijn Technical Institute over the past 5 years. (33)

- **Voltas Employees Support to NGO and Institutes.**

Bangalore Voltas employees visits and support 'Anuraga', an institute dedicated to educating poor children from the slums every year. Jamshedpur Voltas employees helps 'Bharat Sevashram Sangha'. The organization which provides food, clothes and relief to the poor, and also free schooling, training and medical aid to the destitute.

Lucknow Voltas employees supports 'Prem Niwas', a haven for the destitute, sick and dying. Chennai Voltas volunteers visits 'Saraswathi Ammal Charitable Trust', a home for destitute children and the aged and built a sense of confidence and a system of values amongst the orphan children, as well as to provide support to them. Delhi

Voltas supports the National Association for the Blind with a special interest of supporting visually impaired children in reading and writing Braille, as well as managing the activities of daily life. Pune Voltas employees are helping the residential school for poor and underprivileged children. (34)

- **Voltas Partners with BOSCO Boys.**

A new chapter began at Bosco Boys' Training Institute with the launch of the 'Air Conditioning and Refrigeration Programme for the Disadvantaged' in 2008. The programme was inaugurated by Mr. Anil Gole, VP-HR and Head of Corporate Sustainability and has been supported till the date. (35)

**(D) A Study of Corporate Social Performance Index of Voltas Ltd.**

Voltas have given freely of their time, their talents and financial support to the society and for the social concerns with the help of NGO and trusts like, J.N. Tata Endowment , Impact India , Dorab Tata Trust and Multiple Sclerosis Society of India, Shanti Avenda Ashram, Worldwide fund for nature etc. kind of organized bodies.

The Company has a well-defined framework for implementing its Community Development philosophy which has really helped the company to get better rating in the social indexing and rating like, Karmayog CSR index. The same has been tabulated below in the Table 4.7 and Table 4.8 summaries the CSR efforts of Voltas Ltd. (36)



**Table 4.7 Voltas Karmayog CSR Rating.**

Sr. No.	Year	Turn Over Rs. (cr)	Recommended Minimum CSR Spend-0.2% of income (Cr)	Actual CSR Spend	Net Profit Rs.(cr)	Sector	Karmayog CSR Rating	CSR Reach <sup>1</sup>			Principal Areas of CSR Activity
								a	b	C	
1	2005	1441	1	As per the input given by Karmayog , Voltas has been investing 0.2% of net profit.	51	Heavy Engineering	3/5 (Karmyaog Index got developed since 2008)	y	y	y	increasing voluntarism, community development
2	2006	1904	1.4		70	Heavy Engineering					
3	2007	2451	3.72		186	Heavy Engineering					
4	2008	3086	4.16		208	Heavy Engineering	3/5	y	y	y	Environment protection, Poverty eradication, Community welfare
5	2009	4070	5.1		255		3/5	y	y	y	

<b><sup>1</sup> Karmayog CSR Reach</b>
None
"a": CSR is for employees only
"b": CSR is within the vicinity
"c": CSR is for society at large
"b"& "c" together
<b>Total</b>
Note : " y ": Yes the company conducts this CSR program

**Table 4.8 Summary of CSR Approaches of Voltas Ltd.**

<p><b>Highlights of Corporate Governance and Ethical Behavior.</b></p> <ul style="list-style-type: none"> <li>➤ Clearly spelled out ‘TATA Code of conduct’ for ethical guidelines.</li> <li>➤ Regularly following SEBI /RBI guidelines and keeping stake holders posted about the Cos. Activities.</li> <li>➤ Enjoying companies’ existence and high brand equity of TATA for over 65 years in India Market.</li> <li>➤ Sound board of director and have been growing over the year after year and giving fair and reasonable return to shareholders’ funds with a concern for the environment and the society.</li> <li>➤ Only the Indian organization has a “Green Mission” statement.</li> </ul>	<p><b>Intrinsic CSR Approaches</b></p> <ul style="list-style-type: none"> <li>➤ Taking care of the employees, having professional performance appraisal system and performance linked incentive plans.</li> <li>➤ Having well constructed training and development center and consistently empowering employees and dealers through training and development.</li> <li>➤ Voltas has dealership network only for their product business, however company is the process of building dealership network for the industrial and commercial product business.</li> <li>➤ Lake clearly spelled out dealership policy for commercial business however has a loyal employee and vendor network.</li> </ul>
<p><b>Extrinsic CSR Approaches.</b></p> <ul style="list-style-type: none"> <li>➤ Two main pillars of extrinsic CSR are the Environment protection and Community development.</li> <li>➤ Investing heavily in promoting environment friendly products.</li> <li>➤ Through TATA Foundation invest their CSR funds mainly in the area of education and development.</li> <li>➤ Major examples of donations are, Voltas association with Joseph Cardijn Technical Institute, rural development near their Thana, Dadra and Pantnagar plants.</li> <li>➤ They constantly support through funds to J.N.Tata Endowment , Impact , Dorab Tata Trust ,Shanti Avenda Ashram, Worldwide fund for nature etc.</li> </ul>	<p><b>CSR Reporting / Index.</b></p> <ul style="list-style-type: none"> <li>➤ CSR is a philanthropic concept and values in Voltas. Their employees are voluntarily contributing to CSR efforts of the company; however company needs to allocate managerial and professional resources to it.</li> <li>➤ Only the company which has got 3/5 in Karmayog CSR index.</li> <li>➤ Company invests 2% of the profitability for the social cause ever year as per the desired guidelines.</li> <li>➤ In its innovative approach towards the extrinsic CSR, Company has associated itself with many NGOs to reach out public welfare.</li> <li>➤ 2/3<sup>rd</sup> of the earnings of TATA sons is donated to charitable activities.</li> </ul>

#### **4.3.3 CSR Approaches of M/s Carrier and Carrier India.**

##### **Corporate Social Responsibility at UTC (Parent company of Carrier.)**

##### **Louis R. Chenevert - Chairman & Chief Executive Officer (2009)**

“At UTC, profitability and responsibility go hand in hand. These values are fully integrated into the way UTC executes its strategies and serves its customers. For example, 100 percent of the power for this Cabela’s store in East Hartford, comes from four UTC Power fuel cells—a source of energy that is efficient and virtually pollution-free. Responsibility is more than an environmental agenda. It is how we approach everything we do, from driving innovation to meeting the needs of our customers and communities. We continuously strive to deliver ever greater results.” (37)

#### **(A) A Study of Corporate Governance.**

##### **(i) Corporate Existence**

Carrier Corporation is a subsidiary of United Technologies Corporation, registered under New York Stock Exchange. (NYSE:UTX). Carrier started its operations in India with setting up of companies namely Carrier Aircon Limited in 1986, and Carrier Refrigeration Private Limited in 1992. In October, 2006, Carrier Aircon merged with Carrier Refrigeration and the name of the merged entity was changed to “Carrier Airconditioning & Refrigeration Limited” (Carrier India). (38)

##### **(ii) Board of Directors – as per Legal and Mandatory Guidelines**

As of January 1, 2010, UTC’s Board of Directors has 13 directors, 12 of whom are independent. Each board committee includes independent directors and four committees are fully independent. Company has a sound Board of Directors as per the legal guide

lines of New York Stock Exchange. In 2009, UTC increased its overall Dow Jones Sustainability Indexes rating by 5 points, retained its AAA rating from Innovate Strategic Value Advisors (now RiskMetrics Group) and was rated 9.5 out of 10 by Governance Metrics International. Company do obey the rules and regulation laid by RBI for the MNCs in India. Carrier files it's financial operations report to Asian report and which is merged in Carrier worlds operation, Consolidated financial report is presented based on these inputs by their parent company United Technologies Corporations.

**(iii) Carrier Code of Conduct, Corporate Purpose.**

Carrier is one among the companies which has nicely drafted 'Code of Conduct', 'Corporate Purpose' policies. Carrier 'Code of Conduct' has been mentioned in Appendix XVIII.

**Corporate Purpose Statement.**

“We make the world a better place to live by creating a comfortable, productive and healthy environment, regardless of climate, and by ensuring the global food supply is transported and preserved for safe consumption.” (39)

**Carrier India Vision:**

- To be recognized as the leader in every segment we operate in by:
- Being 'customer focused' in everything we do and following ACE diligently
- Delivering 'best in class' quality in the product as well as aftermarket service
- Being 'environmentally conscious' in areas of energy efficiency and pollution
- Establishing a performance culture that respects human values & team work
- Remaining embedded in our core values of EH&S and ethics (40)

#### **(iv) Financial Governance**

Financial governance is not only to ensure the high profitability alone but also to ensure the sustainability by taking some tough decision. During the US Subprime crisis, Carrier too had to take some tough concrete steps to ensure the financial sustainability during the year 2008-09 with down turn in their major market of US, However their global presence helped them to revive faster and to reach back to growth stage. **(41)**

In 2009, UTC undertook significant restructuring, cost reduction and portfolio realignment actions to manage the impact of the severe economic downturn. While revenues of \$52.9 billion and earnings per share of \$4.12 declined to 11 percent and 16 percent, respectively, compared to 2008, adjusted segment operating margin increased, reflecting the benefits of such actions. Cash flow from operations less capital expenditures substantially exceeded net income attributable to common shareholders.

Businesses in balance UTC's balanced portfolio of businesses spans geographies, markets and customer relationships. Table 4.9 represents the financial snapshot of UTC of last five years.

**Table 4.9 (Financial Snap-Shot UTC/ Carrier)**

<b>Sr. No.</b>	<b>Criteria</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
1	Revenue (Dollars in billions)	43.4	48.7	55.8	59.8	52.9	54.32
2	Diluted EPS (Dollars per share )	3.12	3.71	4.27	4.9	4.12	4.74
3	Cash Flow from operations (Dollars in billions)	4.3	4.8	5.3	6.2	5.4	5.9
4	R&D Expenditure (Dollars in billions)	1.46	1.53	1.68	1.77	1.59	1.74
5	Dividends paid per share (Dollars per share)	0.88	1.02	1.17	1.35	1.54	1.7
6	Debt to Capital (Percent)	32%	30%	29%	41%	32%	32%

(Unit of the figures have been kept as available in the original documents in US \$.)

**Notes**

(1) 2006 figures were rebased lined to include the acquisition of Chubb, Kldde and Rocketdyne.

(2) 40% of UTC revenue have come from US, 27% from Europe, 18% from Asia pacific and 15% from other parts of the world. 58% of the total business comes through commercial and industrial business segments.

**Highlights of the Financial Governance of UTC and Carrier Corp.:**

Company responded to the global economic downturn in 2009 with actions that led to \$900 million in cost reductions after a series of growth years from 2005 to 2008 and the employee reduction from 223100 in 2008 to 206700 in 2009 world wide. However, as a result of the correct measures and, development of new markets like China and India Company has been steadily on the path of growth in the year 2010 with a significant increase in its growth and employee strength has again gone back to 208200. The company also accelerated its efforts to simplify its business model with greater focus on higher value, more technology-intensive solutions and services activities. As a matter of fact, South Asian countries like India and China are helping Carrier in its year long growth story. Carrier is participating in the growth of China and India as these countries expand their infrastructure. In 2010, Carrier India has grown close to 20% over last year and crossed the turn over of close to Rs. 1100 Crore in India in the year 2010 even under the recession effects. In India, the company was awarded a contract to provide air-conditioning units for apartments that will house athletes participating in the 2010 Commonwealth Games which gave them huge revenue. Even in tough time due to correct decision making company has managed growth and profitability along with that they have not compromised on their CSR activities too. In 2009, Carrier strengthened its sustainability profile, adding environmental stewardship as a core value and launching a new sustainability branding campaign. In addition, a team of employees in Carrier's manufacturing facility implemented a new lubrication process that reduced volatile organic compound emissions by more than 80 percent below the 2006 baseline.

(42)

**(v) Philosophy of Corporate Governance at Parent Company UTC –USA.**

It is important to note that In May 2006, UTC re-launched its Code of Ethics and expanded its ethics training. Since the re-launch, employees have taken 1,881,000 ethics classes online. Governance at UTC begins with Code of Ethics created in 1990 and re-launched in 2006. The ultimate aim of the Corporate Governance was,

“To create value for stakeholders, with an ethical culture and 100 percent compliance with laws and regulations. We measure our governance performance, in part, through external feedback.”(43)

UTC has a social reporting in practice and had kept a target of improvement in Governance index by 3 percentage points over 2009 in 2010. In 2009, the survey response improved by 5 points, from 82 percent favorable to 87 percent. Challenges in 2010 included the increased complexity of defense contracting rules and effectively communicating and instilling ethical standards across their global operations. For the year 2011 Carrier did aim based on it's 2010 performance that ; “Their Managers comply with the “UTC Code of Ethics” by 3 percentage points in 2011” (44)

**(B) A Study of Intrinsic CSR of Carrier.**

Carrier being a global organization has more tough challenge over previous two companies for managing intrinsic CSR towards, customers ,dealers, vendors, employees and shareholders due to the fact that country to country expectations, culture and behavior changes of the people.



### **(i) Intrinsic CSR of Carrier Towards Employees**

Carrier is operating in more than 170 countries, has over 29,000 plus employees whose many faces, languages and talents are linked to perform equal for a universal goal that is “To provide customers with superior value”, since that is quite tough task make Carrier, along with parent company United Technologies Corporation, to invests the most heavily in the development of workforce with an unequalled commitment to continued training and education – a commitment. To ensure the same Carrier has well planned and designed training programmes for the various levels of the employees starting from induction training to technical trainings. Management of the Carrier claims the great success of their groundbreaking Employee Scholar Program.

#### **Employee Benefits**

Carriers the most popular HR quote is,

“Who knows what tomorrow may bring? Say you marry someone with four kids. Or maybe you've set lofty financial goals. With Carrier, you're not alone. And you're in control.”

Carrier offers a wide array of benefits besides salary scheme and incentive in the line of the industry of the country of operation, including ‘UTC Choice health and welfare plans’, financial security plans, paid time off, health and wellness services, employee and family services, Medical Care , Dental Care, Vision Discounts, Personal Travel, Life Insurance , Accidental Death & Dismemberment , Dependent Life Insurance , Retirement Programs, Vacation and Holidays, Employee Scholarship Program etc. Carrier does have other employee oriented schemes for their development like,

- (a) The Company has HR practices such as setting the performance objectives at the beginning of the year, reviewing employee performance every year through an annual appraisal system and an annual compensation review based on market surveys.
- (b) Time to time information about happenings in the company and industry through internal communication, website, and informal meetings.
- (c) To have a code of conduct based on the legal requirements of the country in which they are operating. Details about the code of ethics and conduct which company and it's employee are supposed to adhere are given on the company's website and training for about the same is given to the employee about the same. (45)

**Employee Policy Commitment of UTC.**

*“UTC Code of Ethics is our guide to delivering on these commitments; it outlines expectations and holds all employees accountable for their actions. - We set aggressive targets and validate our strong performance through rigorous benchmarking. we investigate the root cause of each serious injury and any occupational fatality, take corrective actions and implement safety improvements.” (46)*

**Milestones on Employee Relations.**

- (a) UTC claims to have reduced total recordable accident rates and lost workday incident rates by 47 percent and 63 percent, respectively, since 2006. (b) UTC has 20-year partnership with INROADS, a nonprofit organization providing career training and internships for minority youth, and our Employee Scholar Program. (47)

### **Highlights of CSR Report 2010 (Employee Relations) .**

As stated earlier Carrier / UTC is the only company from the select group which has a social reporting practice. Table 4.10 (Refer Appendix - XX) presents the goal and achievement report of the UTC towards the intrinsic CSR towards the employees.

**Table 4.10 (CSR Report – Employee Relations - Carrier)**

<b>Target for 2010</b>	<b>Achievement in 2010</b>	<b>Target for 2011</b>
Increase overall favorable responses to the 2009 biennial employee survey by 3 percentage points.	Exceeded objective with 4% point increase over 2009.	Increase in overall favorable response by 3% over 2010 figures
Eliminate work related serious injuries and zero death figures	3 Employees lost lives – was viewed negatively	No accidents or loss of lives
Reduce global lost workday incident rate to .17 and recordable incidents to .64 by year-end 2010.	Considerable progress was made in 2009, with a reduction in lost workday incidents of 31 percent to .18 and a 23 percent decrease in recordable to .75.	

(48)

### **(ii) Intrinsic CSR with Dealers and Vendors**

Carrier is only the company which has a “Vendor” or “Supplier” section on the website. They have spelled out clearly their commitment to the suppliers and dealers (Refer Appendix XIX). Suppliers are encouraged to give their feedback or suggestion to the concern person. This certainly suggest the Carriers sensitivity towards it’s one of the most important stake holder and that is supply – chain network. Some other notable initiatives are as under. (49)

### **Willi's Carrier Dealers Club ( WCDC)**

Carrier India has a distributor plus dealer network of over 600 sales and service dealer and over 1000 plus distributors and retail dealer network in India. Carrier has segmented its dealership option in three segments mainly as per their product line segmentation only they are like , (i) Residential and light commercial segment, (ii) Building system and Services, (iii) Transportation business unit

Carrier believes, in 'Brand Exclusivity' model of multi channel marketing. They have their exclusive dealers in the all three segments. Carrier India has introduced a concept of "Willi's Carrier Dealer Club", where the information and data can be exchanged, business communications and informal gathering between company and the dealer network takes place. Dealers are encouraged by the company to give feedbacks regarding market, product, competition etc. Elite Dealers are also made the part in the decision making process of the company. Carrier commits to give following benefit to their dealers:

- Clear transparent policies and 'Brand Equity' of the company.*
- Quotas and Segmentations of dealers territory in each product category has been done effectively.*
- Constant support from both Branch as well as Service department on spare parts as well as on presales and post sales activities.*
- The Company has many well designed; training department gives on job product and project training.*
- Professionally designed Dealers Satisfaction Index or feed back mechanism.*
- Elite dealer panel is also offered the other business advantages like foreign trips, family welfare, gathering in star rated hotels etc.*

It is important to note that during the early nineties Carrier was the first company to bring the dealership concept in 'Project Management' business in India. This was a great challenge to the local companies which had traditional practice of 'managing

every business activities by the company’. However, Carrier business model of encouraging dealer network was later date widely accepted since it brought, depth in reach, speed of delivery of services, and cost reduction to the operations. (50)

### **CSR Reporting for Vendors and Dealers of UTC & Carrier.**

Table 4.11 briefs about EHS, reporting and vendor networking report of the UTC from its CSR reporting.

**Table 4.11 (CSR Reporting – EHS)**

<b>Target for 2010</b>	<b>Achievement in 2010</b>	<b>Target for 2011</b>
Ensure that all key suppliers adhere to UTC’s EH&S expectations. In 2007, UTC established baseline EH&S targets for a group of its key suppliers.	All met those requirements in 2010, and UTC added a second group of new key suppliers to the program.	Continue to expand the Supplier EH&S program and align with the UTC Supplier Gold program.
We continue to work with our key suppliers to ensure that best-in-class supply chain EH&S and sustainability requirements are met.	UTC made continuous improvement and made a large investment towards improvement in the network.	

UTC claims to have supply chain includes more than 50,000 companies, and in 2010, they have spent more than \$30 billion on procurement. UTC Supplier Gold, established in 2008, is a program to facilitate, accelerate and recognize superior supplier operational performance. In 2011, they are expecting to spent more than \$930 million with diverse suppliers, representing 10.4 percent of their domestic spend, up from 9.8 percent in 2008.

### **(iii) Intrinsic CSR Towards the Customer**

As discussed in the Industry analysis of the Air-conditioning industry, it is extremely competitive industry in it's all the business segments. No company can sustain in to the market place without customer relationship management. Competitive rivalry of the industry is driving all the companies to do "Some thing more" for their customer relationship management (CRM). Carrier too is responsible and sensitive towards achieving high level of Customer Relationship Management (CRM). They have taken certain key steps like.

(a) Formation of nation wide Service Center and Offices.

(b) Innovative website, informs about dealer network, company offices, toll free service number, and also educate customer about – designing and engineering factors of air-conditioning system selection like heat load calculation and other energy consumption related information about the each products.

(c) Customer Service Number - the all-India telephone number of this new centralized Customer Service toll free number.

(d) Formation of the National Account Cell for the repeat or key customers and also formation of Customer Grievance Cell.

(e) Training to the Sales and Service dealers. **(51)**

**(C) A Study of Extrinsic CSR of Carrier.**

**(i) Corporate Thinking About Extrinsic CSR**

**Zubin Irani (2009) Managing Director – Carrier India,** reports, “Carrier’s growth and success has been built on a foundation of trust – in the quality of our products and services, in the dedication of our people, and in the many ways we contribute to the well-being of our communities. This is directly in line with the corporate philosophy of Carrier’s parent company, United Technologies Corporation (UTC). Our commitment to responsible corporate citizenship infuses every aspect of our business. We consistently pursue fair and ethical standards, whether delivering products and services to our customers, forging relationships with industry partners, or fostering the personal and professional development of our employees. Carrier is committed to work with the society with our core values, and on going commitment to the corporate world, environmental and social responsibility. Carrier actively supports the communities where we live and work through community service and charitable contributions. It is an essential aspect of our overarching mission to make the world a better place, today and well into the future. At Carrier, our commitment to making the world a better place to live extends far beyond creating innovative products that enhance people’s comfort. We believe that giving back in support of the communities where we live and do business – through community service and charitable contributions – is a fundamental aspect of our business. To us, success is not just measured in units sold or dollars and cents, but the extent that we can help to make in difference in the world. We actively work to improve communities by supporting initiatives that enrich and enhance people's

lives. We partner with organizations, schools and universities to support programs and provide financial assistance to those in need.”

We do this by:

“Financially assisting community organizations, where Carrier does business; mobilizing employees and resources to assist community development, promoting community event sponsorship. ”

**Louis R. Chenevert (2009) - Chairman & Chief Executive Officer – UTC USA.**

“We believe that successful businesses improve the human condition. We measure our results through our social dimension score on the Dow Jones Sustainability Indexes, which includes our corporate citizenship strategy, stakeholder engagement approach and contributions to nonprofit institutions. In 2010, we increased our social dimension score by 4 points. With a strategic focus on the environment, math and science education, and the arts, UTC contributed \$19 million to nonprofit organizations in 2009. We initiated new strategic programs, including the sponsorship of the Sustainable Cities Design Academy, a joint effort with the American Architectural Foundation, to partner with governments and private real estate developers to increase the sustainability of future projects. UTC also joined the National Corporate Team Program of the American Cancer Society Relay for Life.”(52)

**(ii) Community Services of UTC and Carrier.**

Top management at UTC believes that Successful businesses improve the human condition.” UTC is one of the world’s organization which measures their social responsibility performance through results through social dimension score on the Dow



Jones Sustainability Indexes <sup>1</sup>, which includes their corporate citizenship strategy, stakeholder engagement approach and contributions to nonprofit institutions.

<sup>1</sup> *Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide*

**As per Social Report , UTC 2010,**

*“In 2010, we increased our social dimension score by 4 points. With a strategic focus on the environment, math and science education, and the arts, UTC contributed \$19 million to nonprofit organizations in 2010. Average spent of UTC towards the charitable activities or community services are close to \$ 21.0 million in the last five years.” Mandyck : Carrier’s vice president for Sustainability & Environmental Strategies.*

Carrier do initiated new strategic programs, including the sponsorship of the Sustainable Cities Design Academy, a joint effort with the American Architectural Foundation, to partner with governments and private real estate developers to increase the sustainability of future projects. UTC also joined the National Corporate Team Program of the American Cancer Society Relay For Life. Recently company donated close to USD 2 million to Japan earth quake relief fund.” (53)

Some of the notable examples of their community services or suitable development efforts are as under.

**(a) UTC named to Dow Jones Sustainability Indexes for 11th Consecutive year - 2009**

UTC has been named to the 2009-2010 Dow Jones Sustainability Indexes (DJSI). UTC’s score rose five points over the 2008 score. The 2009 assessment process reviewed 2,500 companies along 58 difference criteria including corporate governance,

risk management, climate change mitigation, and codes of conduct, environmental health and safety results, supply chain standards, corporate citizenship and human resource management. In 2009, 317 companies were selected for the DJSI World.

**(b) Carrier Towards the Sustainable Development (2010)**

Against the backdrop of Earth Day 2010, Carrier Corp. demonstrated its environmental stewardship and ongoing support of the Sustainable Enterprise Partnership (SEP) with a donation of \$35,000. The SEP, collaboration among Syracuse University's Whitman School of Management, the SUNY College of Environmental Science and Forestry (SUNY ESF), and the Syracuse Center of Excellence in Environmental and Energy Systems, This third donation brings Carrier's total support of the SEP to more than \$100,000. **(54)**

**(c) Carrier India Won 2009 National Energy Conservation Awards- 2009**

Carrier India earned the prestigious National Energy Conservation Award of India for third consecutive years. Carrier also won first prize in the "Manufacturers of BEE Star Labeled Appliances (air conditioner) Sector" (Refer Appendix XXI for the details about Carrier Awards.)(**55**)

"We are truly honored that Carrier's environmental leadership is being recognized with such prestigious awards," said Zubin Irani, managing director, Carrier India. (Dec. 14, 2009). **(56)**

**(d) Carrier Corp. Named U.S. Green Building Council Education Provider**

Carrier promoted technical expertise in the industry with the expansion of its sustainable solutions curriculum and has recently been named a U.S. Green Building Council Education Provider (USGBC EP). **(57)**

**(e) Carrier Corp. Donates to China Disaster Relief (2008)**

Carrier Corp.'s Building Systems and Services Asia division has pledged its support for the China earthquake relief effort by making a \$10,000 donation to the China Red Cross. In addition, UTC donated \$250,000. **(58)**

**(f) Carrier Invested \$50 Million in India; New R&D Center for green products.**

Carrier invested \$50 million (Rs 200 Cr) in India during the last three years to build a new global research and development (R&D) center which will develop green non ozone depleting products and technology for local and global market. **(59)**

**(g) ETP Recognized as a Partner in Education (2005)**

Carrier built new Training and Development Bridge Program at John Tyler High School. This vocational program provides a combination of technical training and future employment opportunities in the field of HVAC to the high school students. **(60)**

**(h) UTC Raises Nearly \$650,000 for Asian Disaster Relief (2005)**

UTC's matching gift program aided victims of the Asian tsunami disaster raised nearly \$650,000. Carrier contributions were close to \$100,000. The program, raised more than \$270,000 for the American Red Cross International Response Fund; more than \$205,000 for Habitat for Humanity International's Asia Tsunami Response Fund; and nearly \$160,000 for the AmeriCares Foundation's South Asia Earthquake Relief Fund. UTC matched 100 percent of employee contributions to the fund. **(61)**

**(i) UTC Donates \$50,000 to Pakistan Earthquake Relief. (2005)**

UTC has donated \$50,000 on behalf of the company and its employees to the International Federation of the Red Cross/Red Crescent to aid in continuing earthquake relief efforts in Pakistan and Kashmir. **(62)**

**(j) Employees Helping Employees Recover from Katrina.**

UTC employees generated \$550,000 for the Katrina affected people UTC matched with an equal amount from the company for the relief and rehabilitation work. Over 800 pounds of disaster relief items were collected by Carrier employees. (63)

**(k) Home Away from Home** (Jul. 15, 2004)

Successful business partnerships are formed and strengthened over time. When these partners team-up to support a community-based organization, the results can be powerful. Carrier and McDonald's Corporation enjoy a special kind of partnership. Not only does it revolve around world-class food service equipment, it involves supporting the Ronald McDonald House Charities ([www.rmhc.org](http://www.rmhc.org)). Since 1974 Ronald McDonald Houses have provided a "home-away-from-home" for families of seriously ill children who are receiving treatment at nearby hospitals. there are nearly 240 Ronald McDonald Houses in 25 countries around the world. These homes, as the name infers, have been made possible with the generous support of McDonald's restaurants and many other corporate partners. (64)

**(iii) Carrier and UTC on Environment Protection and Sustainable Solution.**

UTC claims to be committed for measuring and reducing the impact of their operations and products on the environment. They have set aggressive conservation goals. UTC partner with organizations such as the World Business Council for Sustainable Development, the World Resources Institute and the U.S. Environmental Protection Agency's Climate Leaders to understand environmental trends and the best ways to address them. Below enclosed Table 4.12 brief about the UTC and Carriers attempt towards the environment protection.

## UTC's environmental initiatives and plans 2007-10

**Table 4.12 (CSR –Reporting – Environment)**

<b>Plan for 2007-10</b>	<b>Status till end 2010</b>	<b>Way ahead for 2011</b>
Reduce greenhouse gas emissions 3 percent annually and water consumption 2.5 percent annually from 2007 to 2010.	Achieved the same after great attempt and commitment for the two years.	Have to Continue to have consistent improvement in the same till 2012 as per new plans at the same rate.
Decrease green house gas emissions by 25% and water consumption by 25% from the base line of 2006.	Greenhouse gas emissions decreased 23 percent, and water consumption decreased 24 percent from the 2006 baseline.	Continue to identify, fund and implement energy and greenhouse gas reduction projects beyond the \$100 million target.
Invest \$100 million from 2007 to 2010 in energy conservation projects. Through year-end 2009,	UTC approved \$116 million in energy conservation projects, including continued investment in new co-generation power plants under construction in Connecticut at Sikorsky's Stratford and Hamilton Sundstrand's Windsor Locks facilities.	Will have to implement as per the plans.
Maintain compliance with environmental permits. In 2009, UTC conducted 118 independent compliance audits of facilities worldwide.	Actions to address risks were identified and systematically tracked to closure. UTC operations that were not scheduled for independent audits in 2009 conducted detailed permit reviews to validate compliance.	Maintain compliance with environmental permits. Prepare to launch both the next generation of greenhouse gas, air emissions, water and waste reduction targets, and the expanded set of goals for facilities, suppliers and products for 2011 through 2015.

Mandyck Carrier's vice president for Sustainability & Environmental Strategies reported "Carrier was among the first companies to set energy reduction goals for the factories in 1988. This led Carrier to be the first company-which has wide global environmental, health and safety goals in 1997 in the industry too. More recently, from

2000 to 2009, Carrier reduced its air emissions by 76 percent and water usage by 52 percent on an absolute basis. Since 2006, we have lowered our greenhouse gas emissions by 33 percent. ‘Environment stewardship’ is one of the most identified “core values” of Carrier. Carrier believes that green products must start at a green company that demonstrates measurable results in four key areas: products, people, production and practices. We extend our influence across the value chain to reduce, and where possible eliminate, negative effects on our environment created by factories, products and suppliers. For more than 20 years Carrier has led with sustainable solutions to advance energy efficiency and ozone protection, while minimizing the environmental impact of its manufacturing operations. For its leadership in ozone protection and energy efficiency, Carrier has been the recipient of numerous local and national environmental awards. In 2007, Carrier received the U.S. Environmental Protection Agency's Best-of-the-Best Stratospheric Ozone Protection award, In 2008, Carrier in the United Kingdom was awarded the Environmental Pioneer in Cooling Award, In 2009, for the third consecutive year, the Government of India's Ministry of Power awarded Carrier India First Prize for the National Energy Conservation ” (65)

Some of the notable steps taken by Carrier’s CSR approaches for the **sustainable development** are mentioned here.

**(a) Action Against Ozone Depletion.**

During the Montreal Protocol air-conditioning companies were agreed to phase-out the production and consumption of chlorofluorocarbons (CFCs) and hydro chlorofluorocarbons (HCFCs) used as refrigerants in air conditioning and refrigeration systems. Carrier Corp. pioneered the phase-out of CFCs for the air conditioning and

refrigeration industry in 1994, two years ahead of U.S. requirements and 16 years before mandates in developing countries. The Montreal Protocol was signed in 1987. As agreed in the same the phased-out CFC production was planned for developed countries in 1996 and developing countries starting in January of 2010. The Protocol also requires all HCFCs to be phased-out in new systems in 2020 for developed countries and 2030 for developing countries.

**(b) Puron Refrigerant from Carrier Offers Solution to R-22 Phase Out. (2008)**

It is necessary to phase out R-22, an ozone depleting refrigerant used in some new air-conditioning systems for more than four decades. To meet this environmental challenge, Carrier introduced non-ozone depleting alternative cooling solutions with Puron refrigerant, which was approved in 1997 by the U.S. Environmental Protection Agency. AppendixXXI represent the major awards won by the Carrier in environmental leadership.

**(D) A Study of Corporate Social Performance Index of UTC & Carrier Corp Ltd.**

Corporate Responsibility from greenhouse gas emissions to community investment, UTC measures corporate responsibility performance in terms of the global indexes. CSR progress and performance is being measured using key performance indicators (KPIs). UTC environmental reporting standards encourage the ongoing analysis and correction of data. Table 4.13 shows the KPI from the Social Reporting of UTC.

**Table 4.13 - UTC CSR Ratings on Various Targets.**

<b>Sr. No.</b>	<b>Criteria</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
1	Dow Jones Sustainability Index (Total Score)	70	62	69	72	77	77
2	Government Metrics International Accountability Ratings (Compared to S&P 500 Companies )	10	10	9.5	9.5	9.5	10
3	UTC Charitable Contributions (Dollars in Millions)	17.9	20.9	20.4	25.5	19.0	19.0
4	Green House Gases (Million Metric Tons – Co <sub>2</sub> e	2.03	2.48	2.31	2.17	2.03	1.94
5a	Industrial Process Waste Million (lbs) - Recycled	280	298	257	235	193	186
5b	Industrial Process Waste Million (lbs) – Non – Recycled	48	96	80	75	57	54
5	Total Industrial Waste Produced (lbs)	328	390	337	331	250	241
6	World Wide Water Consumption (Million Gals.)	2156	2177	2040	1926	1644	1600
7	Elimination of materials of concern (goal achievement )	NA	38%	44%	53%	51%	50%
8	Lost workday incident rate (Cases/ 100 employees)	0.3	0.49	0.31	0.26	0.18	0.13
9	Energy Efficiency (New Products meeting goal)	NA	NA	75%	65%	73%	64%

Note : 2006 figures were rebased lined to include the acquisition of Chubb, Kldde and Rocketdyne.



Carrier confirms that in the given economic conditions of recession world wide in 2009 the results have shown significant reduction in CSR expenditure for them, however they are committed that once after the financial situation will improve they were reduce the reductions made in 2009 CSR expenditures.

Table 4.14 presented herewith express the summary of the CSR approaches of Carrier on defined variables.

**Table 4.14 Summary of CSR Approaches of Carrier / UTC Ltd.**

<p><b>Highlights of Corporate Governance and Ethical Behavior.</b></p> <ul style="list-style-type: none"> <li>➤ Carrier Corporation is a subsidiary of United Technologies Corporation, registered under New York Stock Exchange. (NYSE:UTX). Carrier India existed since 1986 a part of Carrier global is \$11.4 bn USD organization.</li> <li>➤ Both UTC and Carrier has a 9.5 out of 10 rating till year ended 2009 for its Governance rating and it's AAA rated company on Governance at Dow Jones Index.</li> <li>➤ Carreir India has been following all the legal guidelines of SEBI RBI strictly . Both UTC and Carrier did not do well on financial performance during the year 2008 to 2009 due to global recession..</li> </ul>	<p><b>Intrinsic CSR Approaches</b></p> <ul style="list-style-type: none"> <li>➤ Taking care of the employees, having professional performance appraisal system and performance linked incentive plans.</li> <li>➤ Having well constructed training and development centers and consistently empowering employees and dealers through training and development.</li> <li>➤ Carrier owns a 'Willis Carrier Dealer Club' and it's the company has brought dealership concept in Indian HVAC industry for the industrial and commercial product business.</li> <li>➤ Carrier dealership network enjoys part of being Carrier USA too and have clearly spelled out dealership policy.</li> <li>➤ Due to the wide dealership network Carrier operates with a minimum manpower and capital investment.</li> </ul>
<p><b>Extrinsic CSR Approaches.</b></p> <ul style="list-style-type: none"> <li>➤ Carrier improved it's Social Score by 4 points over it's previous year reporting.</li> <li>➤ Has a strategic focus on the environment, math and science education, and the arts.</li> <li>➤ Also works on development of new environmental friendly technology and energy conservation.</li> <li>➤ Carrier India Won National Energy conservation award – 2009</li> <li>➤ In 2009 company invested Rs. 200 crore for setting up R&amp;D center for developing green product at India.</li> <li>➤ Carrier's noteworthy CSR examples are their work in 'Katrina' crisis and earth quakes.</li> <li>➤ Carrier has won many global prestigious awards from UK, India, China for their work on energy conservation.</li> </ul>	<p><b>CSR Reporting / Index.</b></p> <ul style="list-style-type: none"> <li>➤ Carrier is only the company has a CSR reporting and professionalism in handling CSR at senior management level.</li> <li>➤ Is one among the best CSR practicing company of US.</li> <li>➤ UTC contributed \$19 million to nonprofit organizations in 2009. Avg. charitable spent of UTC is \$ 21.0 million in the last five years</li> <li>➤ Carrier has brought a strategic tie-up with MacDonald's for business and CSR partnership and fund MacDonald's "Home away from Home" CSR projects across the globe.</li> <li>➤ Is only the company takes take accounts and performance of CSR activities with pre-decided targets.</li> <li>➤ All its plants have aims of reducing water consumption and green gas emissions by 25% every year over previous year.</li> </ul>

#### **4.3.4 CSR Approaches of M/s ETA.**

ETA Engineering Private is an Associate company of ETA ASCON Group of Companies of Dubai, a multifaceted organization and a leading name in the region known for its commitments for high standards of service. (66)

#### **(A) A Study of Corporate Governance.**

##### **(i) Corporate Existence of ETA**

ETA with Annual Turn Over in excess of US \$.6 Billion, a part of ETA -ASCON Group of companies, Dubai. employ over 50,000 employees branches in 21 countries all over the world since last 32 years. ETA is one of the leading Engineering, Contracting and Trading Company in the UAE with 51% participation from UAE based AL Gurair Group of ETA. (67)

##### **(ii) Board of Directors – as per Legal and Mandatory Guidelines**

ETA India has been following Indian code of conduct and rules and regulations of Indian trade policy and has the mandatory and legal board of governance as per requirements headed by Chairman : Mr. Prithvi Raj Singh Oberoi , Vice-Chairman Mr. Syed Mohammed Salahuddin as per the financial report of 2009. A sound Board of Directors as per the legal guide lines of SEBI. Company do obey the rules and regulation laid by RBI for the MNCs in India..(68)

##### **(iii) Corporate Purpose and Code of Conduct of ETA.**

ETA Ascon and ETA India, does not have clearly spelled out Code of Conduct and as the company officials reported they are in the process of constructing the same. ( it was also not reported on it's website [www.eta-engg.com](http://www.eta-engg.com) till last viewed on 10<sup>th</sup> June 2011,

and it was under construction.) However company has a Mission, Vision, Value statements and Quality policy in practice which has been shown in Appendix XXII.

#### **(iv) Financial Governance**

ETA with Annual Turn Over in excess of US \$.3.1 Billion, a part of ETA -ASCON Group of companies, Dubai employ over 50,000 employees branches in 21 countries all over the world since last 32 years. ETA is one of the leading Engineering, Contracting and Trading Company in the UAE with 51% participation from UAE based AL Gurair Group of ETA, however it was not possible for researcher to get the details about the same from the local branch office and website , however company has been leading organization of Dubai stock exchange and have a sound financial back up and governance and one of the important reason said to have it is because more than 50% equity of the company is beholden by the promoters.

### **(B) Intrinsic CSR of ETA .**

#### **(i) Intrinsic CSR Towards Employees.**

##### **ETA Employee Policy**

Mr. Prithvi Raj Singh Oberoi Chairman of the group reports,

“We believe enthusiastic and professionally aggressive employees have laid the foundation of our success and are our most priceless asset. For us mutual development of both the company and our staff is high priority. We value our employees and ensure that they too grow with us and excavate their potentials to the utmost extent.”

### **Employee Benefits**

ETA offers a wide array of benefits like welfare plans, financial security plans, paid time off, health and wellness services, and many more employee and family services.

Besides standard salary package they do offer benefits packages includes: Medical Care, Life Insurance, Vacation and Holidays etc. ETA does have employee oriented schemes for their development like,

- (i) The Company has HR practices such as setting the performance objectives at the beginning of the year, reviewing employee performance every year through an annual appraisal system and an annual compensation review based on market surveys.
- (ii) Time to time information about happening in the company and industry through internal communication, website, and informal meetings.

#### **(ii) Intrinsic CSR Towards Dealers and Vendors**

ETA is a worlds leading contracting company and taking high value contracts, certainly believes that the suppliers are prime support to their project success and have build a chain of national and international chain of loyal suppliers for meeting their project requirements. However in India they are in a process of building network and relationships for the suppliers and distributive network channel but their management is of strong belief that project business essentially needs a supply chain mechanism and network and durable sales is out of reach without the support of effective dealer network. Company is consistently engaged in building their network the kind of one they have in the Gulf countries and other Asian countries.

### **(iii) Intrinsic CSR Towards Customer**

ETA world over has a strong base of loyal customer and they do have the most sophisticated IT network for managing the customer. However in India they are in the building process of strong customer base. They have Websites, Service station support, Toll free numbers and established offices with trained personnel for the service business. ETA top management strongly believes that “It is extremely competitive industry in it’s all the business segments. No company can sustain in to the market place without customer relation ship management. Competitive rivalry of the industry is driving all the companies to do “Some thing more” for their customer relationship management (CRM)” ETA has taken service business management with the top priority with following initiatives.

(i) Formation of nation wide Service Center and Offices.

(ii) Innovative website, informs about dealer network, company offices, toll free service number, and also educate customer about – designing and engineering factors of air-conditioning system selection like heat load calculation and other energy consumption related information about the each products.

(iii) Customer Service Number - the all-India telephone number of this new centralized Customer Service toll free number.

### **(C) A Study of Extrinsic CSR of ETA.**

ETA undertakes its corporate social responsibility through a variety of effective programs. Since 1973, the company has been serving the community with its outreach efforts. This has touched the lives of millions.

**(A) ETA Community support programmers.**

Major Approaches and Initiatives

**(a) Home for the Homeless**

ETA Star supports “Red Crescent Authority” for ‘Home for the Homeless’ programme with AED 2 million. (Approx. Rs.20 million).ETA Star and its joint venture partners donate one per cent of total sales during the Holy month of Ramjan to build homes for the homeless. The donation value is equivalent to one per cent of the total sales of ETA Star and its joint venture partners Hircon and Star Giga.

**(b) Fundraising Campaign for "Homes for the Homeless"**

ETA Star Property is developing over 30 million square feet of premium property in countries across the Middle East and South-East Asia, including UAE and India. ETA Star Properties is in its third year of partnership with Habitat for Humanity International, raising awareness and funding for families in need of a place to call home. The ETA Star "Homes for the Homeless" Program has impacted the lives of 4,255 people to date and hopes to contribute again this year to continue this great work with Habitat for Humanity. The proceeds raised during this fundraising campaign will continue to support our strategic goal of changing the lives of more than 4,000 people across the Middle East, Africa, India, Pakistan, and Bangladesh. The funds also designated to programs in Jordan and Egypt. **(69)**

**(c) Mobile Medicare Unit ( Health and Civil Services)**

ETA ASCON STAR GROUP Supports Help Age India in a big way. They donated Mobile Medicare unit in Ramanathapuram district. ETA also donated Rs 21,88,190 to, Help Age India towards running cost & capital cost for one year for running a Mobile

Medicare Unit. ETA signed a MOU with Help Age India to support this newly started unit at cost of Rs 50,53,350 for three years which includes the cost of the new Mobile Medicare unit Van. ETA also donated Rs 6,00,000 towards the first installment of approved donation of Rs 12,00,000 for providing free cataract IOL surgeries to 1000 poor elders in the Ramanathapuram District. **(70)**

**(d) ETA Ascon Star Contributes to Red Cross Society of China.**

ETA Ascon Star Group has contributed 1.5 million dirhams to the Red Cross Society of China for the rehabilitation of Sichuan earthquake victims.

**(e) ETA Star International Signs MoU with TERI on Environmental Studies**

ETA Star International, member of the Dubai-based \$5 billion ETA Ascon Star Group, has signed a Memorandum of Understanding (MoU) with The Energy Research Institute (TERI) of India to explore areas of co-operation in an effort towards sustainable development. The other areas of co-operation include conducting environmental impact studies, energy audits of commercial, residential and industrial units, Clean Development Mechanism (CDM) studies and reducing carbon footprint in the UAE.

**(f) Humanitarian Aid for the Homeless at Myanmar by ETA Star**

ETA Star Properties donated 5000kgs of rice grains for the benefit of people affected by Cyclone Nargis in Myanmar. The donation is being made through the World Concern Nargis Relief Team the world's largest international food assistance organization.



**(g) Ascon's Donation and Clean Up Campaign**

Ascon donated school desks and undertook maintenance works of the old desks for Al Hodaybiyah Primary School, Dubai. Ascon in coordination with the Western Region Municipality organized a clean up campaign in Ghayathi city. (71)

**(h) ETA Sustainable Development programmes.**

Dubai, 20th October 2008: A large number of employees and senior management officials of ETA Ascon Star Group gathered on October 18 and 19 in Dubai to express their solidarity with the UN-supported 'Mission Green Earth Stand Up and Take Action' campaign. Mr. Syed M. Salahuddin, Managing Director of the Group, reported "Only such a concerted effort by all would make the pledge meaningful and produce the desired result after all nature is nature and we must preserve it" (72)

**(i) ETA's Attempt on Improvement of Education**

BITS, Pilani - Dubai (BPD) was established in Dubai in September 2000 in response to the growing needs for Quality Engineering Education among the residents of Middle East. ETA-Star Education, a wholly owned subsidiary of ETA-Star Holdings aims to provide contemporary education while keeping high moral, social and pastoral values by setting up a number of schools following different curricula all over the UAE.

Dubai Institute of Business Management popularly known as DIBM was established in 1999 by ETA Ascon. It was started with a vision to provide world-class training & development programs to corporate houses of diverse sectors across the globe. (73)

Table 4.15 enclosed here, represents the summary to the CSR approaches adopted by ETA on various variables of study.

**Table 4.15 Summary of CSR Approaches of ETA India /ETA Ascon/ETA Star Group.**

<p><b>Highlights of Corporate Governance and Ethical Behavior.</b></p> <ul style="list-style-type: none"> <li>➤ ETA with Annual Turn Over in excess of US \$.3.1 Billion, a part of ETA -ASCON Group of companies, Dubai. Employ over 50,000 employees branches in 21 countries, registered under Dubai Stock Exchange.</li> <li>➤ ETA in India with seven different companies operates under the RBI / SEBI guidelines and has been emerging large HVAC and MEP contracting company.</li> <li>➤ Financial data of ETA has not been displayed on the website of ETA star or ETA Ascon, there are very few shareholders' at India , even Financial report of Indian operations is also difficult to get from ETA , leads to conclude that company needs to be professional in the corporate communications.</li> </ul>	<p><b>Intrinsic CSR Approaches</b></p> <ul style="list-style-type: none"> <li>➤ Taking care of the employees, having professional performance appraisal system and performance linked incentive plans.</li> <li>➤ Company is in its inspection date, regularizing training and development center and other infrastructural facilities.</li> <li>➤ Being late entrant in India market conditions ETA has a major challenge of developing employee loyalty and still they don't have structured dealership network, relaying more on to the contractors and employees.</li> <li>➤ Company has a sound thinking regarding employee welfare and vendors' development; however they are in a process of implementation of the same.</li> </ul>
<p><b>Extrinsic CSR Approaches.</b></p> <ul style="list-style-type: none"> <li>➤ ETA Star supports "Red Crescent Authority" for 'Home for the Homeless' programme with AED 2 million. (Approx. Rs.20 million).</li> <li>➤ ETA Star Properties is in its third year of partnership with Habitat for Humanity, raising awareness and funding for families in need of a place to call home.</li> <li>➤ ETA Supported last year to Help Age India by donating Rs 21,88,190 towards the running cost &amp; capital cost for one year for running a Mobile Medicare Unit.</li> <li>➤ ETA Donated last year Rs 12,00,000 for providing free cataract IOL surgeries to 1000 poor elders in the Ramanathapuram District</li> </ul>	<p><b>CSR Reporting / Index.</b></p> <ul style="list-style-type: none"> <li>➤ Although ETA does host of social activities across the globe their structured reporting is not done, they need to regularize the same with a proper allocation of professional management executives to CSR support.</li> <li>➤ ETA invested \$5 billion with The Energy Research Institute (TERI) of India for energy conservation.</li> <li>➤ ETA work towards the environmental products development, education and community services near about their manufacturing plants as a part of their global CSR programmes.</li> <li>➤ ETA owes educational institutions at India and Dubai and donates a huge part of their operating profit towards the building and development of the educational institutes.</li> </ul>

#### **4.4 Synthesis of CSR Approaches of the Selected Companies**

##### **‘Environment Care’ – A Common Accountability Approach**

From the analysis of the secondary data gathered and the information received during the personal interviews of the top and middle management executives of the industry it clearly appears that the leadership and top management of all the four companies BSL, Voltas, Carrier and ETA have a similar perception regarding the industry being accountable for the environment damage and global warming. Considering the same, they all have agreed that, it is their prime responsibility of the industry to ensure the environment protection. It is revealed from the study that all the companies invest heavily in to the Research and Development of the environment friendly technology and towards the environment protection activities. “Thinking of discharging the CSR responsibility towards the society, because industry and beholders believes that they are responsible towards the society” that leads to relating the practices as per the ‘Accountability Approach’ of CSR. Thus, we can say that, It appears from the study for that ‘Common’ concern all the companies and their top management is, ‘environment’ because they find they are accountable for the ‘damage’. Majority of the industry CSR investment is made towards the same by all the companies, so we can say that the all the companies CSR approach is ‘Accountability Approach’ for the common cause of ‘Environment Protection’.

##### **(A) CSR Approach of Blue Star Limited.**

Blue Star is a family firm with equity holding of share holder's fund. Thinking regarding CSR had started long back, when the founder Mohan T. Advani started feeling and believing that the organizations should be responsible for the society and

people around the society. Trusteeship Approach of CSR believes that, “Businessman should act as a trustee of public fund and besides maximizing profits the societal concerns also should be addressed by the trustees of the fund.” However, prime objective of the business is to earn profit but being a trustee of the public fund some contribution should also be made towards the development of the society. BSL CSR history guides us, that the leadership has a clear understanding about their profit maximizing role, and besides that, they are concerned for the society but by being a trustees of the public fund, without deviating from the main purpose of the business.” Leaders of the organization acts as a responsible trustees of the companies funds and towards the society - thus we can say that the companies approach towards the CSR is 'Trusteeship Approach' where trustees try to keep the balance between Social Cause and Profit making

#### **(B) CSR Approach of Voltas Limited.**

Voltas is a TATA group companies and TATA group itself has been working hard to build ethical brand - TATA, which has clearly defined ‘TATA code of conduct’ and guidelines for Voltas executives for 'Do' and 'Don't of the business. So besides being family firm and adopting 'Trusteeship' CSR approach it is clearly visible that Voltas executives does have element of ‘Strategic CSR Approach' in their CSR policy making and their thinking. Strategic Approach of CSR, includes “Inclusiveness of business and Social actions” of the company. Voltas leaders have been attempting continuously to up bring and build ‘TATA’ as an ethical brand which in turn helps the company in to the business too. CSR is an important strategic tool for building ethical brand for ‘TATA’ group of companies so as for ‘Voltas’. However the firm is a family firm with a priority

of 'increasing shareholders' fund , and making profit and top management executives firmly believes that they act as a trustees of the share holders' fund , which means that their approach is a dual 'strategic CSR approach' as well as there is an element of 'Trustee Ship Approach' in their CSR strategies.

### **(C) CSR Approach of Carrier (UTC) -USA**

Carrier and UTC is the global organization with an organized CSR department and is only the company in the industry having CSR reporting in a specified targets like, 'Green gas emission reduction' , 'water utility reduction' , 'accident rate minimization' , 'customer satisfaction rate improvement' etc. The CSR targets are reviewed as professionally as financial or commercial performance of the organization. CSR is headed at 'Strategic' level and it is integrated as a part of business strategy formulation and implementation. It is clearly visible that the CSR approach is a 'Strategic CSR' Approach of the company which is aiming to build 'Sustainable Development' and 'Sustainable Brand'.

### **(C) CSR Approach of ETA -UAE**

Global organization ETA in India is in its introduction stage and is quite unclear about discharging the CSR. Their main focus is on health and education and their leadership is investing most of their CSR funds around their factory locations - they consider themselves accountable for their social behavior and analysis shows that, their CSR approach is more of an ' Accountability Approach' model of CSR. World over it is viewed that the company is creating the 'home' for homeless and health since the company's main business is the construction and infrastructure development.

### **BLUE STAR LIMITED - (Trusteeship Approach)**

In BSL Leaders of the organization thinks and acts as a responsible trustees of the companies funds and towards the society - and creating a balance between 'Profit' and 'Social Cause' thus we can say that the companies approach towards the CSR is 'Trustee ship Approach'

### **VOLTAS LIMITED**

#### **(Trusteeship and Strategic CSR Approach)**

Voltas is a TATA group companies and TATA group itself has been working hard to build ethical brand - TATA, which has clear guidelines for Voltas executives for 'Do' and 'Don't'. So besides being family firm and adopting 'Trustee Ship' CSR approach it is clearly visible that VOLTAS executives does have element of 'Strategic CSR Approach' in their CSR policy making and their thinking.

**A common 'Accountable Approach by all the companies (BSL,Voltas,Carrier and ETA ) leadership towards the 'Environment Care' and 'Pollution Control'**

### **CARRIER (UTC) -USA (Strategic CSR Approach)**

Carrier and UTC is the global organization with an organized CSR department and is only the company in the industry having CSR reporting with a specific format. CSR is headed at 'Strategic' level and is an important element of business strategy formulation and implementation. It's clearly visible their CSR approach is a 'Strategic CSR' Approach.

### **ETA - UAE**

#### **(Public and Accountability Approach)**

ETA in India has invested more of its CSR funds near about manufacturing plants being 'accountable to the society' besides they have been creating facilities for 'health' and 'homes' and 'education' for the stake holder and society is an example of 'Public Approach' Their leadership consider themselves accountable for their social behavior.

#### **4.5 Conclusion**

It has been noted while studying the CSR approaches of the selected companies that the companies employees and the management believes in the discharging CSR not only towards the employees and other important stakeholders of the business, but towards the whole society too. They are clear in the perception that helping society helps business too. All the companies have identified different areas of the extrinsic CSR, however all the companies have been working hard and investing a huge time and other resources on the primary issue of environmental friendly technology. The other community services areas are mainly education, health and rural development. It was interesting to note that global companies have international standards of the social reporting which national companies must adopt for the betterment of the business and the society.

## **References**

1. [http://en.wikipedia.org/wiki/Air\\_conditioner#Air\\_conditioning\\_applications](http://en.wikipedia.org/wiki/Air_conditioner#Air_conditioning_applications)
2. Financial Report 2008, 2009, 2010 : Blue Star Limited
3. Raut A. (2009) “Study of Airconditioning Industry in India.” Indian Journal of Marketing.
4. Jhangiyani H. (2009) : JARN, Japan Air Conditioning, Heating and Refrigeration News, 2006, 2007 & 2008- Indian Airconditioning Industry.
5. <http://www.bluestarindia.com/home>
6. <http://www.voltas.com/aboutus.php>
7. <http://www.carrierindia.com/historyflash.html>
8. <http://www.asconleisureuae.com/pdf/AsconLeisure.pdf> & [eta-engg.com/profile2.html](http://eta-engg.com/profile2.html)
9. <http://www.bluestarindia.com/about/directors.asp>
10. <http://www.bluestarindia.com/about/sr-mngt.asp>
11. <http://www.bluestarindia.com/about/corporate.asp>
12. <http://www.bluestarindia.com/about/values-beliefs.asp>
13. <http://www.bluestarindia.com/investors/default.asp>
14. [http://www.bluestarindia.com/careers/employee\\_development.asp](http://www.bluestarindia.com/careers/employee_development.asp)
15. <http://www.bluestarindia.com/manufacturing/manufacturing-culture.asp>
16. Advani A. M. (2009) “ Corporate Social Responsibility” : ‘Communer-2009’
17. <http://www.bluestarindia.com/about/corp-social-responsibility.asp>
18. Karmayog : CSR Ratings , 2008 and 2009 of fortune 500 Companies in India.
19. [http://www.voltas.com/about\\_us/about\\_us.asp](http://www.voltas.com/about_us/about_us.asp)
20. [http://www.voltas.com/about\\_us/management.asp](http://www.voltas.com/about_us/management.asp)
21. <http://www.voltas.com/values/values.asp>
22. [http://www.voltas.com/values/green\\_mission.asp](http://www.voltas.com/values/green_mission.asp)
23. [http://www.voltas.com/about\\_us/ethics.asp](http://www.voltas.com/about_us/ethics.asp)
24. [http://www.voltas.com/values/business\\_excellence.asp](http://www.voltas.com/values/business_excellence.asp)



25. <http://www.voltas.com/miscellaneous/manufacturing.asp>
26. [http://www.voltas.com/investor\\_info/quarterly\\_report.asp](http://www.voltas.com/investor_info/quarterly_report.asp)
27. [http://www.voltas.com/careers/hr\\_policy.asp](http://www.voltas.com/careers/hr_policy.asp)
28. <http://www.voltasac.com/inner-emp.aspx>
29. <http://www.voltasac.com/inner-vcare.aspx>
30. [http://www.voltas.com/values/responsible\\_citizen.asp](http://www.voltas.com/values/responsible_citizen.asp)
31. [http://www.voltas.com/news/community\\_technical\\_institute.asp](http://www.voltas.com/news/community_technical_institute.asp)
32. [http://www.voltas.com/news/community\\_marathon.asp](http://www.voltas.com/news/community_marathon.asp)
33. [http://www.voltas.com/news/community\\_ghrvf.asp](http://www.voltas.com/news/community_ghrvf.asp)
34. [http://www.voltas.com/news/community\\_volunteer.asp](http://www.voltas.com/news/community_volunteer.asp)
35. [http://www.voltas.com/news/community\\_vocational\\_training.asp](http://www.voltas.com/news/community_vocational_training.asp)
36. Karmayog CSR Ratings :2008 , 2009 Fortune 500 Companies.
37. <http://www.utc.com/Corporate+Responsibility>
38. <http://www.utc.com/Investor+Relations>
39. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Our+Company>
40. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Our+Company>
41. <http://www.utc.com/Governance>
42. <http://www.utc.com/About+UTC/Company+Reports/2009+Annual+Report+English>
43. <http://www.utc.com/Governance>
44. <http://www.utc.com/Governance/Ethics/Code+of+Ethics>
45. <http://www.utc.com/About+UTC/Company+Reports/2009+Annual+Report+English>
46. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Careers>
47. <http://careers.utc.com/index.asp>
48. <http://www.utc.com/About+UTC/Company+Reports/2009+Annual+Report+English>
49. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/>

## Our+Company/Suppliers

50. <http://www.residential.carrier.com/dealers/index.shtml>
51. <http://www.residential.carrier.com/support/index.shtml>
52. <http://www.utc.com/Corporate+Responsibility>
53. <http://www.utc.com/About+UTC/Company+Reports/2009+Annual+Report+English>
54. <http://www.utc.com/News/UTC+named+to+Dow+Jones+Sustainability+Indexes+for+11th+consecutive+year?Page=2&channel=/News/Corporate%20Responsibility>
55. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Sustainability+and+Environment>
56. <http://www.corp.carrier.com/vgn-ext-templating-carcom/v/index.jsp?vgnextoid=113a6c3223e47210VgnVCM1000004f62529fRCRD&vgnnextchannel=788bdaadadb05210VgnVCM1000009e81000aRCRD&vgnnextfmt=default>
57. <http://www.corp.carrier.com/vgn-ext-templating/v/index.jsp?vgnextoid=788bdaadadb05210VgnVCM1000009e81000aRCRD&pageNum=4>
58. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/Carrier+Corp.+Donates+to+China+Disaster+Relief>
59. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/Carrier+to+Invest+%2450+million+in+India%3B+New+R%26D+Center+to+Develop+Products+for+Local+Market>
60. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/ETP+Recognized+as+a+Partner+in+Education>
61. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/UTC+Raises+Nearly+%24650%2C000+for+Asian+Disaster+Relief>
62. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/Carrier+Employees+Come+Together+To+Support+the+United+Way>
63. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/Carrier+Celebrates+the+Completion+of+the+Seventh+Habitat+for+Humanity+House>
64. <http://www.corp.carrier.com/Carrier+Corporate+Sites/Corporate/Side+Bar+Links/Global+News/Home+Away+from+Home>
65. [http://www.utc.com/StaticFiles/UTC/StaticFiles/Our%20Performance-KPIs\\_PDF.pdf](http://www.utc.com/StaticFiles/UTC/StaticFiles/Our%20Performance-KPIs_PDF.pdf)
66. <http://www.etaascon.com/Nascon/index.asp>

- 67. <http://www.eta-engg.com/profile3.html>
- 68. <http://www.etaascon.com/Nascon/index.asp>
- 69. <http://www.etaascon.com/Nascon/articledisplay.asp?catid=13>
- 70. <https://www.habitat.org/cd/giving/donate.aspx?link=189>
- 71. <http://www.etaascon.com/Nascon/articledisplay.asp?catid=13>
- 72. <http://www.etaascon.com/Nascon/article.asp?id=101>
- 73. <http://www.etaascon.com/Nascon/article.asp?id=102>

## Chapter 5

---

### **Attitude of Selected Air-conditioning Industry Companies of India Towards the Social Responsibility**

---

- |      |  |
|------|--|
| 5.29 | Prologue   |
| 5.30 | Profile of Respondents   |
| 5.31 | Desirability of Social Responsibility  |
| 5.32 | Reasons for Undertaking Social Responsibility  |
| 5.33 | Reasons for not Embracing Social Responsibility Activities   |
| 5.34 | Corporate Philosophy and Social Responsibility   |
| 5.35 | Attitude of the Companies Towards the Various Publics  |
| 5.36 | Existence of Corporate Policy Towards Social Responsibility  |
| 5.37 | Frequency of Social Responsibility Programmes Undertaken by the Companies<br>for the<br>Betterment of the Society. |
| 5.38 | Responsibility for Implementation of Social Responsibility Programmes  |
| 5.39 | Consumers' Grievance Management  |
| 5.40 | Perceived Need of Consumer's Association   |
| 5.41 | Agreement Towards Consumers Association Attributes   |
| 5.42 | Responsibility Towards Employees.  |
| 5.43 | Attitude Towards Employee Rights   |
| 5.44 | Interaction with Employee on Non-work Platform   |
| 5.45 | Methods of Interaction with Employees on Non-work Plat Form  |
| 5.46 | Responsibilities Towards Share holders   |
| 5.47 | Frequency of Extent of Fulfillment of Social Responsibility Activities   |
| 5.48 | Government's Attitude Towards Social Responsibility of the Companies   |
| 5.49 | Ethics in Business   |
| 5.50 | Hurdles in Discharging Social Responsibility   |
| 5.51 | Unethical Practices Adopted by the Companies   |
| 5.52 | Executives Perception About Code of Conduct  |
| 5.53 | Effective Body for the Implementation of Code  |
| 5.54 | Attitude Towards Formulation of Ethical Code   |
| 5.55 | Existence of Social Audit System.  |

## Chapter 5

---

### **Attitude of Selected Air-conditioning Industry Companies of India Towards the Social Responsibility**

#### **5.1 Prologue**

The unethical and unsocial behavior of business whether on the national or international scene, generally brings forth strong protest and stronger echoes that depict all businessmen as shylocks. The most recent to draw our attention was the '2G spectrum scam', Satyam fraud case and revived story of 'Bhopal Gas Tragedy'. (Where people of the country are still disappointed with a peanut punishment given to the account holders of Union Carbide Corporation (UCC) by Indian Court.) All the cases reflected the highest level of irresponsible behavior of business in general and UCC in particular. Such examples show that Government, bureaucracy, red-tapism, are at top at every stage and are accepted as a part of the game by most of the business in India.

Today, Indian business is no longer held in high esteem by the public and it is generally believed that they are corrupting the whole social system, thereby generating a variety of social-economic problems that were almost nonexistent about five decades ago.

As stated by Ratan Tata, Chairman and President of TATA Group of companies, followed by Rajul Bajaj, prominent businessman about the bribe demanded by the ministers from them for starting new business (Daily News papers : 20<sup>th</sup> November 2010), "The allegations made against the business class are certainly viewed with concerns by the executives at large, but they have to take recourse to unethical practices at the behest of their bosses. But the question arises as to what are the root

causes of the problem? Is it feasible to apply traditional ethical standards to solve the commercial problems and demand high level of socially responsible behavior from the business in the era of moral degradation?”

In this chapter an attempt has been made to explore the attitude of the top and middle management level executives of four companies of air-conditioning industry of India on different aspects of social responsibility of business.

For the study, a data was collected from the total of 171 respondents of top and middle management executives. Of these 62 executives of Blue Star Ltd (BSL), 51 of Voltas, 27 of Carrier, and 31 of ETA , were personally interviewed with a pre-designed structured questionnaire. This chapter presents the data analysis and interpretation. To facilitate this task, information is presented in tabular and graphical form.

## **5.2 Profile of Respondents.**

The back ground of the respondents to a considerable extent influences his/her perception about the problem issue in question. Table –5.1 gives the details of profile of the respondents.

### **Education Status:**

Table 5.1 shows the comprehensive profile of the respondents. The table shows that a majority of the respondents of all the companies are the persons who hold the technical or commercial professional degrees or graduates or post graduates. This indicates that companies in the air-conditioning industry of India are managed mostly professionally. The respondents would probably display outlook with respect to the problems of the business including social responsibility.

### **Place in the Organizational hierarchy**

Once place in the organization to a considerable extent influences his/her ability to participate in broader corporate issues like Corporate Social Responsibility or Strategic Management. Majority of the respondents are working as middle management or upper middle management position. However, it is worth noting that for all the companies more than 50% of the respondents are from middle or upper middle management.

### **Area of Working**

Different areas of management have different types of problems and accordingly they demand behavior pattern on the part of focal person. Table 5.1 shows that majority of respondents fall in five areas i.e. technical, purchase, finance, marketing and human resource. These are the key areas of the business activities which more often than not demand one or the other type of ethical behavior on the part of the concerned executives.

### **Income Group**

This is a growing realization that motivating factors play a vital role in one's productivity. It is noted that all the companies have been paying fixed salary plus variable components of the salary part and over all compensation is directly linked with the performance appraisal. However data indicates that, for all the companies the majority of the respondents fall in the salary bandwidth of Rs. 3 Lakhs to Rs. 15.0 Lakhs , and around 50% of the respondents are from middle management which draws a conclusion that the industry has a fair salary package of around Rs. 6-8 lakhs even at middle management level.

### **Work Experience**

A majority of the respondents of Indian companies Blue Star Ltd and Voltas Ltd have experience of more than 10 years in the same company. Especially for Voltas it is noted that around 42% of the respondents have work experience of over 10 years for BSL the same is close to 30%. Hence they should have a clear vision of the companies' activities. (Both formal and informal). However that is averaging out close to four to five years in Carrier and around 3 years in the ETA. (That is directly related to companies' late entry in the Indian Market.) Thus over all, they can be considered as suitable persons to comment on the social responsibility of the company.



**Table : 5.1 Profile of Respondents**

Sr. No.	Indices of Profile	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	Total No of Response.	62	51	27	31
	<b>SEX</b>				
	Male (%)	91.94	92.16	100.00	96.77
2	Female (%)	8.06	7.84	0.00	3.23
	<b>AGE Group (%)</b>				
	(Years)				
	21-25	11.29	5.88	0.00	6.45
	26-30	29.03	19.61	11.11	25.81
	31-35	19.35	21.57	37.04	22.58
	36-40	12.90	15.69	22.22	19.35
	41-45	12.90	21.57	18.52	16.13
	46-50	6.45	5.88	7.41	6.45
	51-55	8.06	9.80	3.70	3.23
	56 & Above			0.00	0.00
	No Response				0.00
3	<b>Educational Qualification</b>				
	Graduate	40.32	52.94	59.26	54.84
	Post-Graduate	25.81	19.61	22.22	9.68
	Professionals	33.87	27.45	18.52	35.48
	Others				
4	<b>Level of Management</b>				
	Top	14.52	15.69	25.93	25.81
	Upper Middle	32.26	37.25	29.63	19.35
	Middle	53.23	47.06	44.44	54.84
	No Response				

Sr. No.	Indices of Profile	Name of the Companies			
		BSL	Voltas	Carrier	ETA
5	<b>Area of Work(%)</b>				
	Finance	16.13	11.76	3.70	6.45
	Marketing	22.58	13.73	48.15	19.35
	Technical	35.48	43.14	44.44	67.74
	Purchase	6.45	9.80	0.00	0.00
	Personnel	3.23	5.88	0.00	3.23
	Public Relations	3.23	0.00	0.00	3.23
	Computers/IT	1.61	0.00	0.00	0.00
	Others	11.29	15.69	3.70	0.00
6	<b>Income Group (%)</b> (Rs.)				
	200000-300000	16.13	1.96	11.11	25.81
	300000-500000	33.87	39.22	18.52	32.26
	500000-800000	24.19	29.41	25.93	3.23
	800000-1200000	12.90	17.65	22.22	9.68
	1200000 & Above	12.90	11.76	22.22	29.03
7	<b>Experience (Years %)</b>				
	1 - 2 Years	25.81	9.80	14.81	35.48
	3 - 5 Years	30.65	33.33	44.44	48.39
	5 -7 Years	14.52	15.69	18.52	16.13
	10 Years & Above	29.03	41.18	22.22	0.00

### **5.3Desirability of Social Responsibility.**

As noted in the previous chapter, all the companies of Air-conditioning industry have accepted social responsibility as a part and parcel of business and are carrying out a

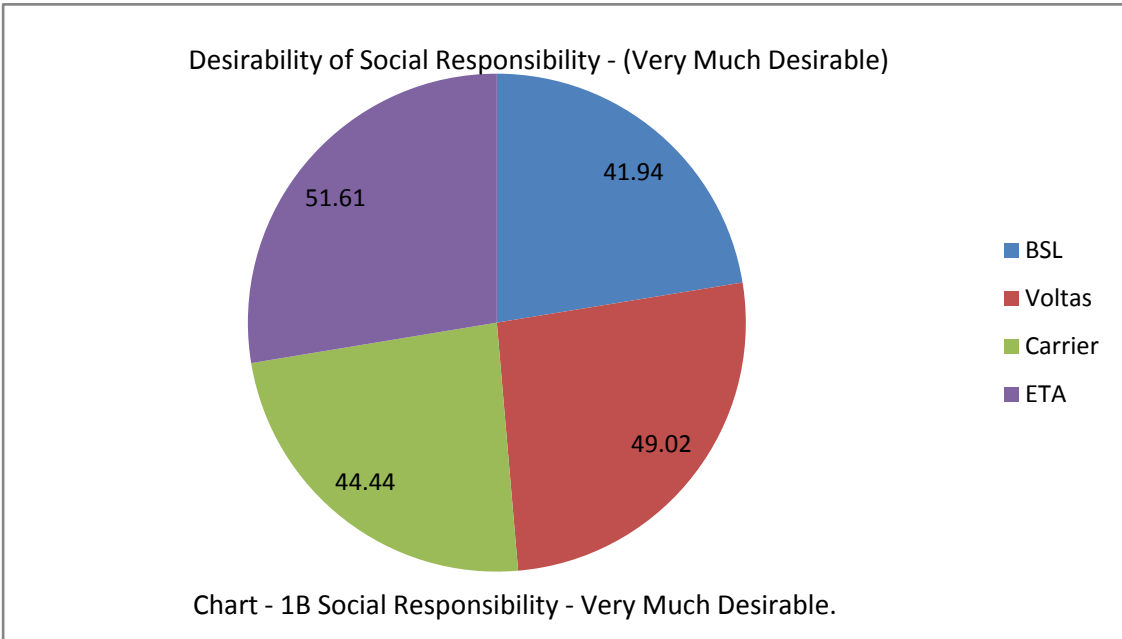
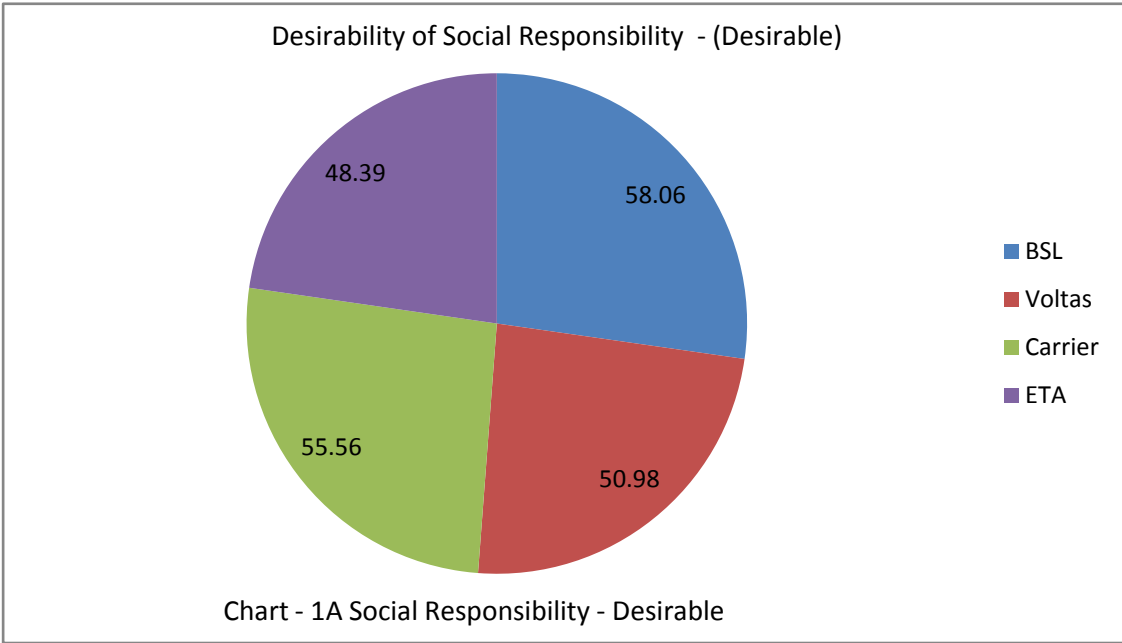
varying amount of social responsibility activities. Hence, the desirability of pursuing social responsibility is well established.

The Table 5.2 reveals the attitude of executives about the desirability of social responsibility. It is seen from the table that 40% executives of BSL feel that social responsibility is very desirable, whereas 50% of Voltas executives feel that social responsibility is very much desirable , followed by 45% of Carrier and 52% ETA employees feel that social responsibility is very much desirable . For all the companies 100% executives have stated that social responsibility is either desirable or very much desirable.

On the whole from the data of Table 5.2 it can be concluded that executives of all the four companies of air-conditioning industry have a favorable attitude towards social responsibility and all of them consider them and the corporate responsible towards the society.

**Table : 5.2 Desirability of Social Responsibility ( In %)**

Sr. No.	Name of the Companies	Desirability			
		(a) Desirable	(b) Very Desirable	(c ) Indifferent	(d) Not at all Desirable
1	BSL (Total Resp. = 62)	58.06	41.94	0.00	0.00
2	Voltas (Total Resp. = 51)	50.98	49.02	0.00	0.00
3	Carrier (Total Resp. = 27)	55.56	44.44	0.00	0.00
4	ETA (Total Resp. = 31)	48.39	51.61	0.00	0.00



#### **5.4 Reasons for Undertaking the Social Responsibility**

All the company executives of top and middle management have realized the importance of the social responsibility of the corporate and individual for the society. The reasons cited for this are evident in Table 5.3. It is observed that most of the executive believes that the social responsibility of business will be helping to the society. As many as 54% of the executives of BSL and 70% Voltas and Carrier and around 42% of ETA executives have ranked “interest of mankind” a first rank.

The second rank i.e. in the ‘interest of the country’ was scored highest by Voltas and ETA executives as high as 70% , and the same for BSL and Carrier is close to 61%. It is interesting to note that executives of all the companies feel that they are pursuing such activities largely because it is in the interest of the mankind and the society and towards the country. Around 36% of ETA executives believe that the same is also in to the interest of the business also. The second and third rank for all the houses with respect to three indices has low statistical profile. Hence, it is not significant enough to reach any definite conclusion. On the whole, it can be deduced that social responsibility is largely practiced because it is in the interest of the people at large.

**Table : 5.3 Reasons for Undertaking Social Responsibility ( In %)**

Sr. No	Companies	BSL			VOLTAS			CARRIER			ETA		
	Ranks	1	2	3	1	2	3	1	2	3	1	2	3
	Reasons												
1	Interest of Company	16.13	24.19	59.68	15.69	27.45	56.86	7.41	33.33	59.26	35.48	22.58	41.94
2	Interest of Country	25.81	59.68	14.52	9.80	70.59	19.61	25.93	62.96	11.11	19.35	70.97	9.68
3	Interest of Mankind	54.84	19.35	25.81	70.59	1.96	27.45	70.37	3.70	25.93	41.94	3.23	54.84

### **5.5 Reasons for Not Embracing Social Responsibility Activities.**

It is interesting to note that not a single executive of any company has favored the idea of not undertaking social responsibility activities specifically in the situation where countries GDP is growing and along with both turn over and profitability of the industry as well as individual companies are growing over double digit growth rate year by year.

### **5.6 Corporate Philosophy and Social Responsibility ( In %).**

In the study the corporate philosophy with respect to social responsibility has been operationalized as profit maximizing, calculative and socially responsible behavior. The approach of the companies towards social responsibility has been measured by using Hay and Gray (1974) scale, (Hay, Robert and Gray , E.D. : “Social Responsibility of Business Managers”, Academy of Management Journal, March, 1974.) , which has 42 statements, falling in to three categories i.e.

- (i) Economic and Technological Dimensions
- (ii) Social and Political Dimensions
- (iii) Environmental and Aesthetic Dimensions

All these three major variables pertaining to social responsibility were got rated along 14 statements each. (Please refer to the Questionnaire : Question No. 4). The validity, the reliability and the consistency of the scale was pretested through a pilot study of 27 executives of the companies chosen for the study.

The three facet of social responsibility can be operationally conceptualized as :

“The profit maximizing behavior has been defined as that corporate behavior which is largely profit oriented and places minimum emphasis on its social and political environment and aesthetic consequences.”

“The calculative actions though are largely oriented towards profit but do take into consideration the impact of various corporate activities on its social and political environment and aesthetic aspect of community life.”

“The socially responsible actions are primarily aimed at furthering societal interest, but do not rule out the importance of profit, as it is held that only profit making organizations can be socially responsible.”

From the aforesaid definitions of three parameters it is clear that in all the three cases profit is a common denominator. It is the philosophy of business with respect to profit earning that makes it “Socially responsible” or otherwise and not merely one’s attitude towards the social welfare, which highlights the fact that profit making is certainly not against the philosophy of social responsibility.

Table- 5.4 shows the ranking of profit maximizing, calculative and socially responsible behavior of the executives of the sample companies. It examines the perception of the executives of the companies with respect to their attitude towards different parameters of social responsibility. A majority of executives of all the companies assign first priority to their socially responsible behavior. The scoring of said parameter was (54%)



in Blue Star, (58%) in Voltas, (54%) in Carrier and (78%) in ETA. Followed by calculative behavior and the third rank was assigned to profit maximizing behavior (Refer Table 4). It clearly indicates that executives at large believe that socially responsible behavior is desirable on their part. The mean scores of the ratings has been presented in the Table 5.4 A

**Table : 5.4 Rating of Profit Maximization, Calculative and Social Responsibility Behavior ( In %)**

<b>Ranks</b>	<b>1</b>				<b>2</b>				<b>3</b>			
<b>Attitude towards Social Responsibility</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>Profit Maximization</b>	8.64	8.40	12.17	7.37	12.10	15.13	10.05	29.72	79.26	76.47	77.78	63.36
<b>Calculative Responsibility</b>	33.06	33.33	34.13	13.82	61.29	56.58	60.85	63.36	5.65	10.08	5.03	21.66
<b>Social Responsibility</b>	57.03	57.56	53.97	78.80	28.00	27.17	29.10	6.91	14.98	15.27	16.93	14.98
Percentages have been calculated from respondents ratings on the questionnaire on their rating 1,2 and 3. Total respondents 171.												

**Table : 5.4 A Mean Scores of the Profit Maximization , Calculative and Social Responsibility Behavior**

<b>Ranks</b>	<b>1</b>				<b>2</b>				<b>3</b>			
<b>Attitude towards Social Responsibility</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>Profit Maximization</b>	1.30	1.26	1.83	1.11	1.21	1.51	1.01	1.38	3.96	3.82	3.89	3.94
<b>Calculative Responsibility</b>	4.90	5.00	5.12	4.46	6.13	5.66	6.08	6.34	0.28	0.50	0.25	0.35
<b>Social Responsibility</b>	8.46	8.63	8.10	9.50	2.80	2.72	2.91	2.17	0.75	0.76	0.85	0.75
Mean Scores have been worked out from the responses received for previous Table 5.4.												

To establish the difference between the behavioral patterns T-test was carried out, the details of which are given in the Table -5.5

It is interesting to note that executives of all the companies have clear perception of their profit and social responsibility behavior. The executives of BSL, Voltas and Carrier have failed to distinguish between calculative and socially responsible behavior, where as executives of ETA has clear perception about it.

**Table: 5.5 Inter Company Comparison of Different Behavior Concerning Social Responsibility.**  
( T- test) (Refer Appendix – V,VI,VII,VIII for the detailed calculations.)

Companies	A Vs. B	B Vs. C	A Vs. C
<b>BSL</b>	0.6044 (+4.3026)	0.9142 (+4.3026)	0.5982 (+4.3026)
<b>Voltas</b>	0.5942 (+4.3026)	0.8826 (+4.3026)	0.6054 (+4.3026)
<b>Carrier</b>	0.6129 (+4.3026)	0.9478 (+4.3026)	0.5899 (+4.3026)
<b>ETA</b>	0.6102 (+4.3026)	0.8874 (+4.3026)	0.6165 (+4.3026)

**A = Profit maximization behavior**

**B = Calculative behavior**

**C = Socially responsible behavior**

**If the values in the parenthesis are table values  $t_t$  and computed values are  $t_c$ , then the difference is significant if  $t_c > t_t$  and the difference is insignificant if  $t_c < t_t$ . Level of significance is 5%.**

With respect to all three dimensions i.e. (economic and technological, Social and Political and Environmental and Aesthetic dimensions) the behavior of all the groups ranges between calculative and socially responsible as shown in the mean scores in Table – 5.6. Mean scores ranges between 10 to 14 for the calculative and socially responsible behavior as against in between 5 to 7 for profit maximization behavior under each three dimensions – economic and technological , Social and Political and Environmental and Aesthetic dimensions.

The low rating of profit maximization attitude with respect to all dimensions indicates that executives at large feel that social responsibility behavior is very much desirable on their part.

Though social responsibility is considered as desirable on the part of the business, it does not mean that the companies under study are really behaving in a socially responsible way. It is largely because mostly decisions pertain to social responsibility are taken at the highest level. (i.e. either at general manager level or at board level). Hence, even the senior executives have little say in this regards. Moreover, the prevailing business milieu in India, and highly competitive market condition of HVAC industry is certainly not in favor of practicing a high level of ethics on a part of corporation.

**Table : 5.6 Attitude Towards Corporate Social Responsibility in Relation to Different Dimensions of Scale**

Name of the Companies	Perception of Corporate Social Responsibility in Relation to Different Dimensions of the Scale (Mean Scores)								
	(A) Profit Maximization			(B) Calculative			( C ) Socially Responsible		
	X	Y	Z	X	Y	Z	X	Y	Z
<b>BSL</b>	6.36	7.06	5.36	11.46	11.55	10.60	12.06	11.40	13.99
<b>Voltas</b>	6.30	7.27	5.93	11.41	11.16	10.29	12.24	11.27	13.77
<b>Carrier</b>	6.40	7.59	5.65	11.64	11.44	10.83	12.04	10.96	13.43
<b>ETA</b>	6.24	6.74	6.29	11.43	10.84	10.89	12.44	12.32	12.58
Mean scores have been calculated from the data received on 14 variables of Question 4 by 171 respondents.									

**Where**

**X = Economic and Technological dimension**

**Y = Social and Political dimension**

**Z = Environment and Aesthetic dimensions**

**A = Profit Maximization**

**B = Calculative Responsible**

**C = Socially Responsible**

Business world behaving socially responsible way was distant dream for the Indian business companies and air-conditioning industry around couple of decades ago. It is clearly noted from the current study that all the four companies top and middle management executives have a clear perception that society needs to be taken care equally. Most of them have agreed to believe: “HVAC industry being one of the most responsible industry for the Ozone Depletion due to the usage of non environment friendly gases, must work for the better tomorrow.” Most of the companies have identified “Environmental responsibility as their prime focused area of CSR” and they are at present focused on the same to work for the better environment and to earn carbon credits. Executives of the all four companies have invariably mentioned their companies’ efforts in the same direction and have shown their commitment towards improvement in the same area.

However, still executives have a mixed reaction towards the other areas of CSR and they have also agreed upon the facts that margins in the Industry are constantly under pressure and decreasing largely due to the some of the factors like, industry is highly competitive by the presence of more than 10 players and large numbers of unorganized players in each segments, input material and logistic cost are constantly increasing, skilled manpower shortage, etc. All these business factors have really put industry under the pressure and it is not possible to survive in the business with very high degree of ethics alone in the Indian market conditions. This is corroborated by the remarks of the executives which contradict their views about the concept. A few citations given below will further enlighten the issue.

- To talk of social responsibility is just like smugglers talking of ethics. In fact, politicians and bureaucrats want us to take care of their welfare. In such milieu there is no point in only bothering about social responsibility; companies are equally responsible for the share holder's wealth.
- When government with its resources, power, and administrative machinery has literally failed to deliver desired goods to society then why should we be expected to bother about the things which are largely their area? 'It is nothing but Tax after Tax'. Large amount of first set of Tax goes in to the bureaucrats and politicians personal wealth.
- The phrase social responsibility is certainly good for intellectual discussion, but literally difficult to practice in a terrible competitive condition like ours.
- Frankly speaking, we have faith in social responsibility, but we do liberally donate in social welfare, as I feel that by doing so, I will be diluting my sins, which I used to do in my routine business.

It leads us to conclude that though social responsibility has been accepted as a desirable facet of corporate behavior, yet the companies are focused only in the area of Ozone depletion and environmental responsibilities for which the industry is directly accountable, but towards the other dimensions of CSR more socially responsible behavior is desired it is at present difficult to behave completely socially responsible due to the competitive market conditions. The perception of executives with respect to corporate behavior of their companies brings on forefront the perennial conflict between idealism and reality where one is always forced to bow down.



### **5.7 Attitude of Companies Towards Various Publics**

As noted earlier, business influences and is influenced by a host of publics with whom it interacts. Therefore, to maintain a desirable level of interaction it must discharge responsibilities which it owes to them. But, the executives perception (Refer: Table 5.7) with respect to their relative importance to different publics varies considerably except in case of their recognition of the customer's welfare.

It is important to note that 61% of the Voltas executives believe that they must be responsible for all the direct and indirect stakeholders like Customer, Government, Shareholders, Employees as well as Community and Competitors too. The same belief has been among the 70% of BSL executives, 77% of ETA executives, and 82% of Carrier executives have been noted. This is a paradigm shift in the beliefs of the executives from the previous researches done on the same subject, with a change in nature and understanding about CSR literature perception has got widen and now a days executives feels that corporate should behave socially responsible manner even with the community and the more importantly the competitors.

**Table : 5.7 Perception of Executives About the Relative Importance of Different Publics of SR.**

Sr. No.	Social Responsibility Activities				
		BSL In % Pref.	Voltas In % Pref.	Carrier In % Pref.	ETA In % Pref.
1	a	25.81	15.69	11.11	19.35
2	b	19.35	15.69	11.11	19.35
3	c	20.97	15.69	22.22	22.58
4	d	24.19	23.53	25.93	16.13
5	e	24.19	7.84	25.93	12.90
6	f	0.00	0.00	14.81	0.00
7	g	69.35	60.78	81.48	77.42

a = Customer

b = Community

c = Government

d = Share Holders

e = Employees

f = Competitors

g = All of the above

### **5.8 Existence of Corporate Policy Towards Social Responsibility**

For any organization to be effective in social responsibility field it is very desirable to have a definite policy in this context from a Table 5.8 it is clear that as many as 71% respondents in Voltas and 61% respondents in BSL, 48% respondents in Carrier and 32% respondents in ETA accepted that their organizations have a specific policy in this

regards. It is note worthy that as high as 52% executives of Carrier, 48% executives of ETA and 30% of executives of BSL have answered that they are not aware clearly whether the policy exists or not? This gives a clear understanding that not only having a clear CSR policy is important for the strategic planning group but its internal communication and understanding is equally and highly important to achieve the CSR objectives and all the companies need to work in the same area.

However, most of the executive of any groups failed to have supported this by showing such policy manual or a corporate policy statement (except the ‘mission and the vision’ statements) having specific mentioned about said policies, which highlights the fact even when such policies are practiced, they are hardly put in writing or communicated properly in the organization. In the case of BSL and Voltas executives supported it by showing ‘Corporate purpose’ ; ‘Quality Policies’; ‘Values of TATA organizations’ etc. However lots of efforts in all the companies are needed in the same area.

**Table : 5.8 Perception of Executives About Existence of Social Responsibility Policy In Their Company.**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a (Yes)	61.29	70.59	48.15	32.26
2	b (No)	6.45	7.84	0.00	12.90
3	c (Don’t Know)	29.03	9.80	51.85	48.39
4	d (No response)	3.23	11.76	0.00	6.45

Perception about existence of social responsibility in company - BSL

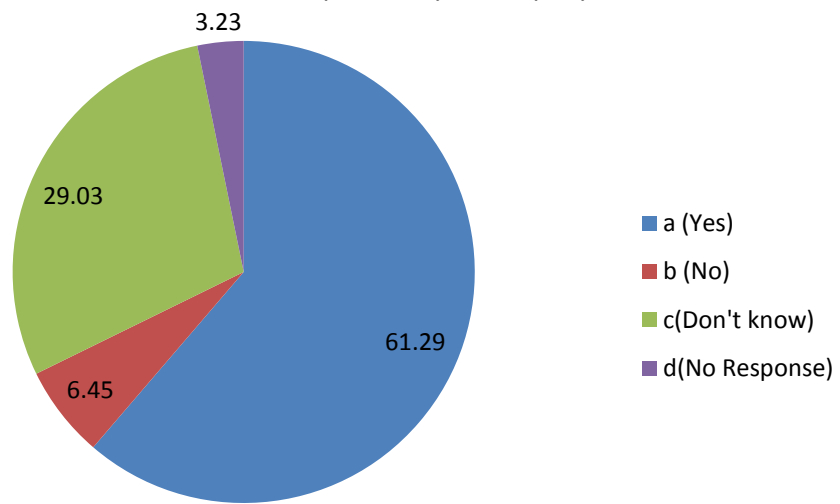


Chart - 2A - BSL executive perception about existence of SR.

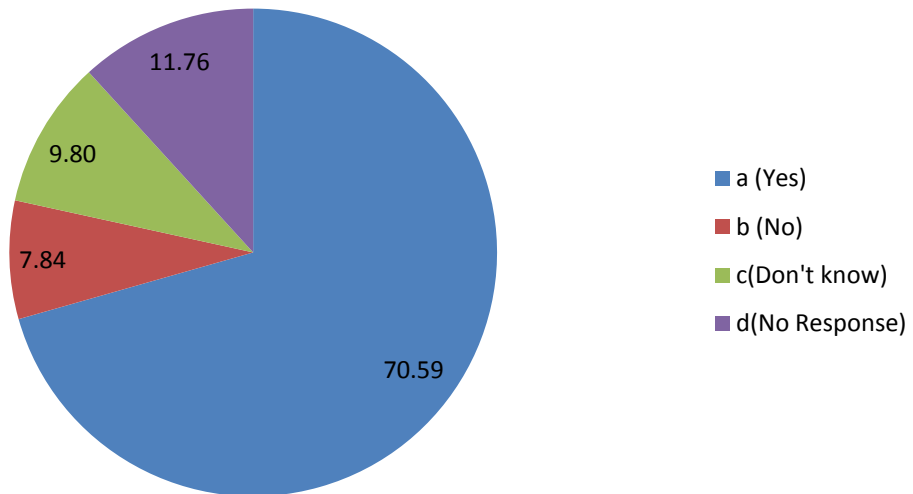
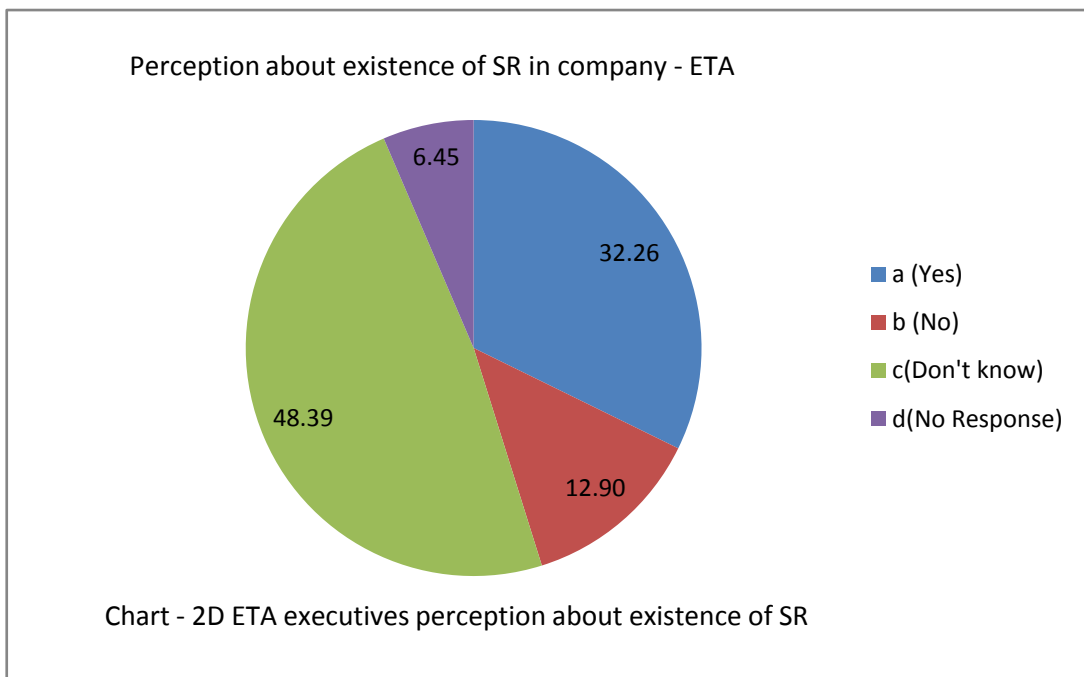
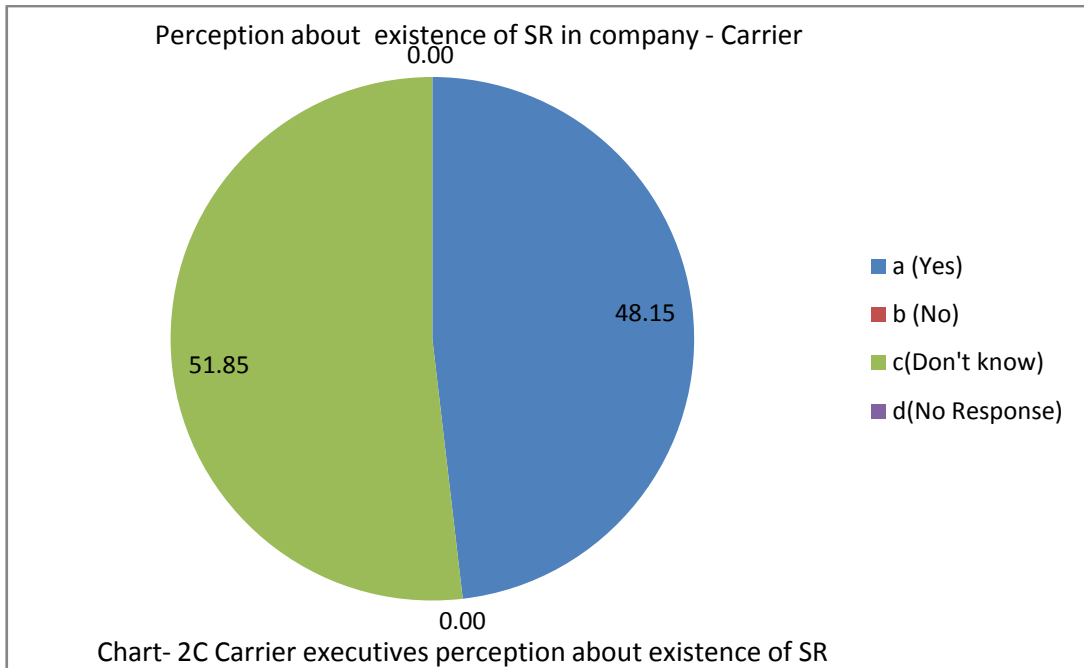


Chart - 2 B Voltas executives perception about existence of SR



### **5.9 Frequency of Social Responsibility Programmes Undertaken by the Companies for the Betterment of the Community**

From the point of view of social responsibility it is desirable to know the frequency with which the house undertakes various programmes to achieve its social responsibility goals. Various social responsibility activities of the companies were rated on a 0 to 15 point-scale. The results so achieved are presented in Table 5.9

From the mean score it is obvious that BSL is high on social responsibility activities followed by ETA, Voltas, and Carrier. It is very interesting to note that all the groups are undertaking similar set of activities. For instance, incase of BSL environment protection, provision of education aids to the society, maintenance of industrial peace, effective use of energy and natural resources, and provision of better transportation and communication facilities are the most regularly carried out activities whereas rural development, hiring of unemployed, medical aids, provision of infrastructure facilities also bothers but to a moderate extent.

In Voltas and Carrier the most sought about activities are Environmental protection, Effective use of energy and natural resources and industrial peace, where in ETA besides environmental care other area which bothers are educational aids , employment to unemployed , rural development etc. An inter-company comparison is made with respect to social responsibility activities of the companies , it would be seen that the opinion of executives of BSL and Carrier differ with respect to performance of social responsibility activities.

**Table : 5.9 Frequency of Performance of Social Responsibility Activities by the Companies.**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	10.97	12.84	14.81	14.07
2	b	3.47	2.55	2.59	4.44
3	c	5.48	3.04	1.30	4.07
4	d	9.27	6.67	5.19	5.93
5	e	2.66	2.75	0.74	2.59
6	f	8.87	7.25	7.96	5.93
7	g	6.85	4.22	7.04	5.56
8	h	10.08	9.02	11.11	9.63
9	i	9.03	6.57	7.04	7.41
10	j	6.77	6.37	3.52	6.30
	<b>Total</b>	73.47	61.27	61.30	65.93
	<b>Mean</b>	7.35	6.13	6.13	6.59
	<b>Standard Deviation</b>	2.96	3.21	4.45	3.25

a = Environmental Protection

b = Urban Renewal

c = Rural Development

d= Educational aids

e= Charity for building hospital

f =Healthy atmosphere for industrial peace

g = Dynamic Infrastructural facilities

h = Efficient use of energy and natural resource

I = Better transportation and, Communication and distribution system.

j = Instituting programmes for hiring the unemployed

Scale :

15	10	5	0
Regularly	Frequently	Some times	Never

According to the Table 5.10, BSL with Voltas, Carrier and ETA show no significant difference with regards to their opinion about social responsibility programme and so is in the case of Voltas with Carrier and ETA . The difference is insignificant in the case of UAE (United Arab Emirates) giant ETA and USA (United States of America) giant Carrier also.

**Table : 5.10 Two Tailed T-Test for Inter Company Comparison of Social Responsibility Activities. (Community services)**

<b>Companies</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>BSL</b>	0.0000	0.3772 (+2.1009)	0.4751 (+2.1314)	0.5848 (+2.1009)
<b>Voltas</b>	0.3772 (+2.1009)	0.0000	0.9990 (+ 2.1199)	0.7510 (+2.1009)
<b>Carrier</b>	0.4751 (+2.1314)	0.9990 (+ 2.1199)	0.0000	0.7937 (+ 2.1199)
<b>ETA</b>	0.5848 (+2.1009)	0.7510 (+2.1009)	0.7937 (+ 2.1199)	0.0000

(Refer Appendix IX for the detailed calculations.)

**Note :**

Figures in the parenthesis are table values of  $t$  , If the table value of  $t$  is  $t_t$ , and the computed values are  $t_c$ , then the difference is significant if  $t_c > t_t$  and the difference is insignificant if  $t_c < t_t$ . Level of significance is 5%.



#### **5.10 Responsibility for Implementation of Social Responsibility Programmes**

It is increasingly believed that with the growing complexities of business, with pressure of government and the evolution of consumerism, the organization should have a separate social responsibility department managing social responsibility programmes with more professionalism and target orientation for its proper implementations. From the Table – 5.11 it is clear that only in Voltas close to 50% (47%) respondents opined that they have a separate department; the 56% executives of Carrier had quite clear information about the fact that CSR has been handled by Corporate Planning Manager level.

However, the executives of BSL and ETA were really quite unclear about the functional responsible head of CSR activities. However 32% of BSL given highest rank to Administration Manager as a CSR functional head and 35% of ETA executives have given the same to Public Relations Manager. These facts leads to conclude that only couple of companies has a specific outline of the social responsibility programmes, whereas others are concerned about managing the issue.

**Table : 5.11 Perception About CSR Functional Head in the Organization. (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	8.06	11.76	3.70	0.00
2	b	32.26	9.80	7.41	9.68
3	c	19.35	17.65	55.56	29.03
4	d	14.52	1.96	0.00	3.23
5	e +f	8.06	11.76	18.52	35.48
6	g	17.74	47.06	14.81	22.58

a = General Manager

b = Administration Manager

c = Corporate Planning Manager

d= Personnel Manager

e + f= Public Relations Manager

g = Separate CSR department

BSL

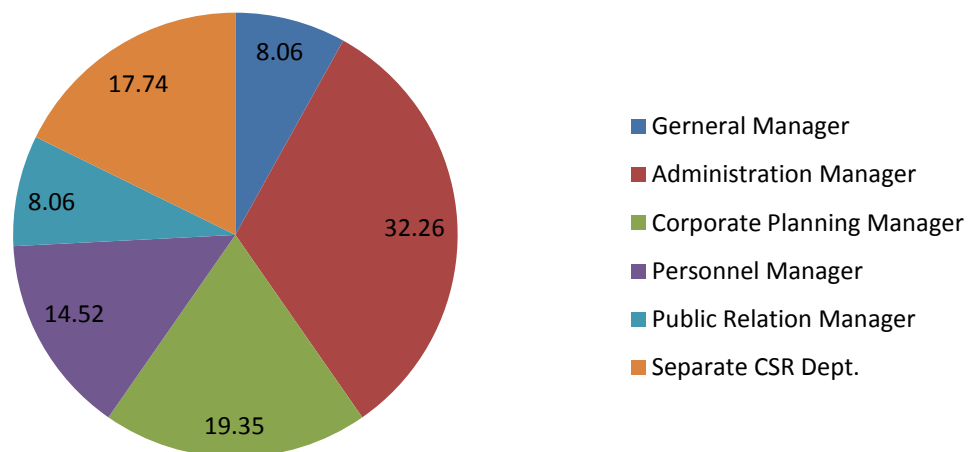


Chart -3A Perception about functional head of CSR - BSL

Voltas

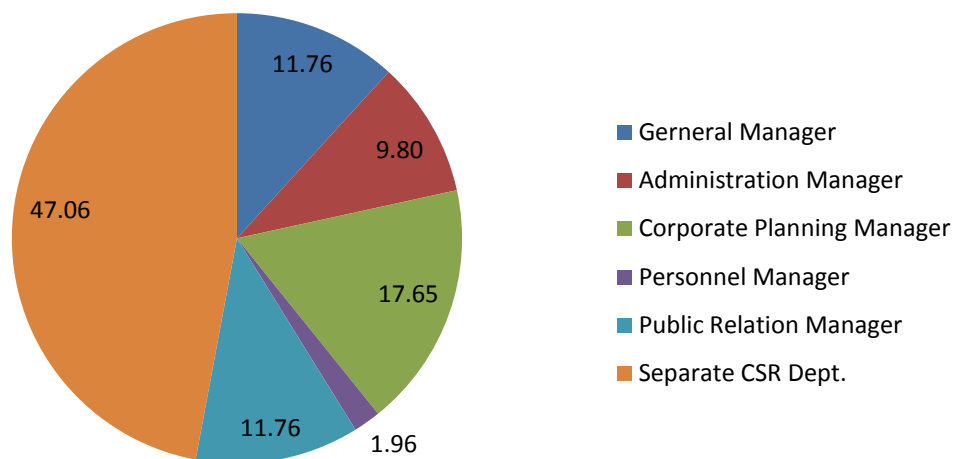
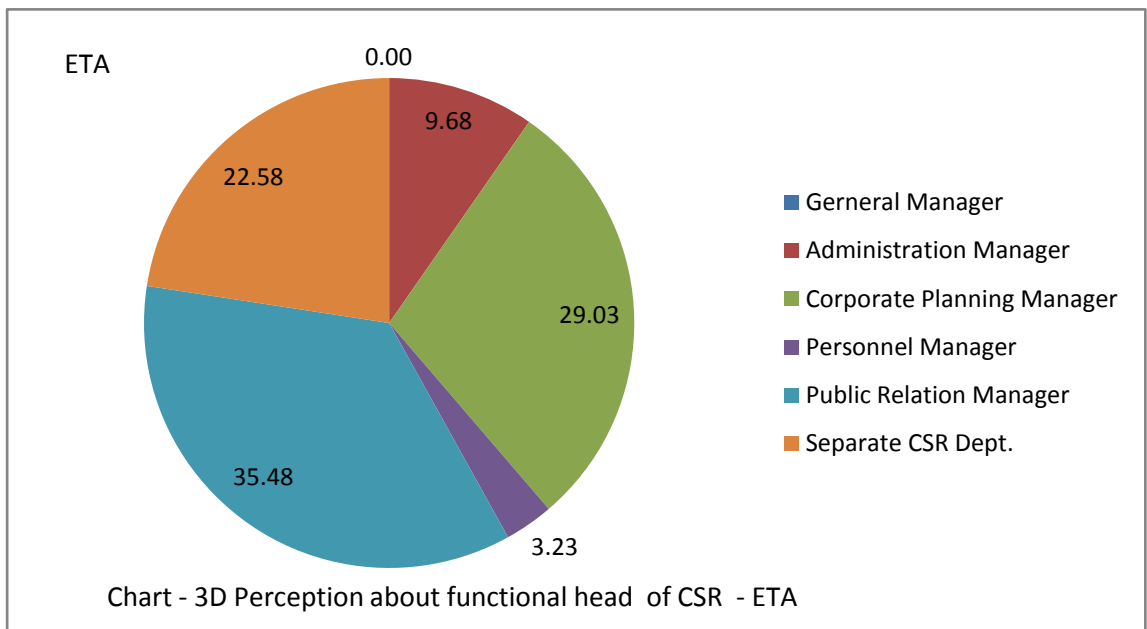
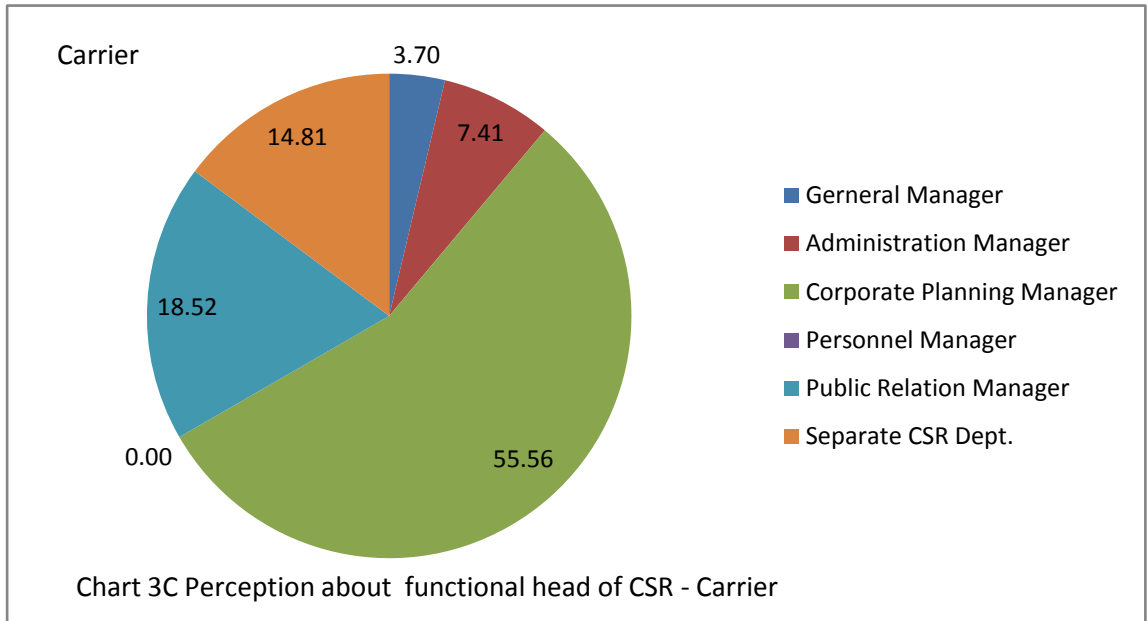


Chart - 3B Perception about functional head of CSR - Voltas



### **5.11 Consumer's Grievance Management**

The growth of consumerism has created serious tremors in business. They feel that the philosophy of caveat emptor can not be carried on for a long period and consumers' have to be given the utmost importance. With respect to the perception of the executives regarding consumer's grievance management, their opinion differs sharply. Quite a good number of executives who answered this question opined that they are having a separate department for the handling of consumer's grievances.

At the same time, they were found saying that the problem is looked after by the public relation department and the general administrative department too. The conflicting vies expressed by the executives lead us to conclude that they have responded to the question keeping in mind the socially desirable bias. It is doubtful whether specific department for this purpose really exists in the company covered under this study or not?

**Table :5.12 Perception About Consumer Grievance Management in the Organization (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	3.23	5.88	7.41	6.45
2	b	12.90	23.53	7.41	9.68
3	c	9.68	11.76	7.41	6.45
4	d	12.90	21.57	3.70	16.13
5	e	61.29	37.25	74.07	61.29

a = Consumer Advisory Council

b = Separate Grievance Management Department

c = Separate public relation department for grievance handling

d = Separate personnel department

e = General Administrative department

BSL

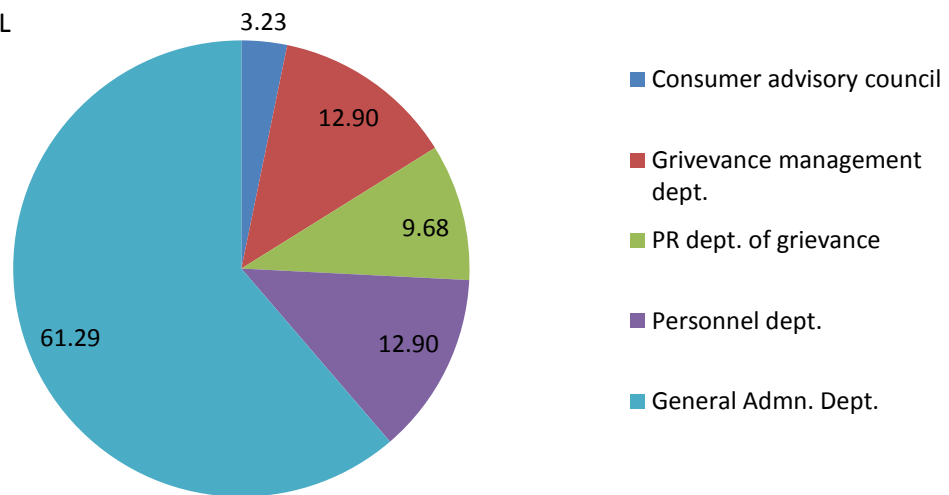


Chart - 4A Perception about grievance handling responsibility - BSL

Voltas

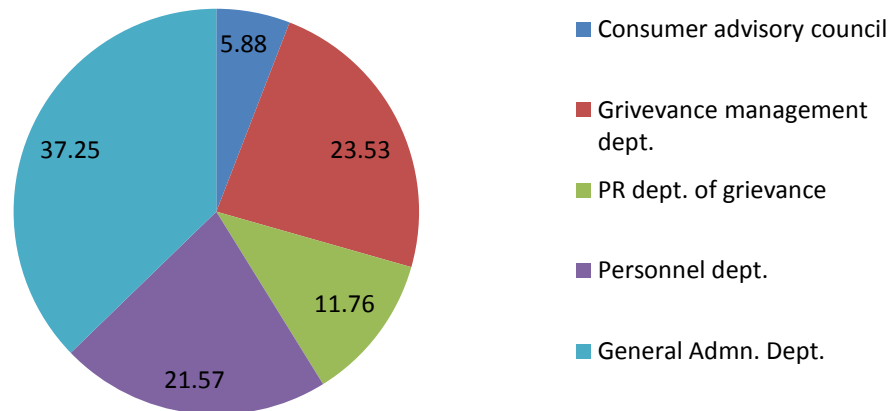


Chart - 4B - Perception about grievance handling responsibility - Voltas

Carrier

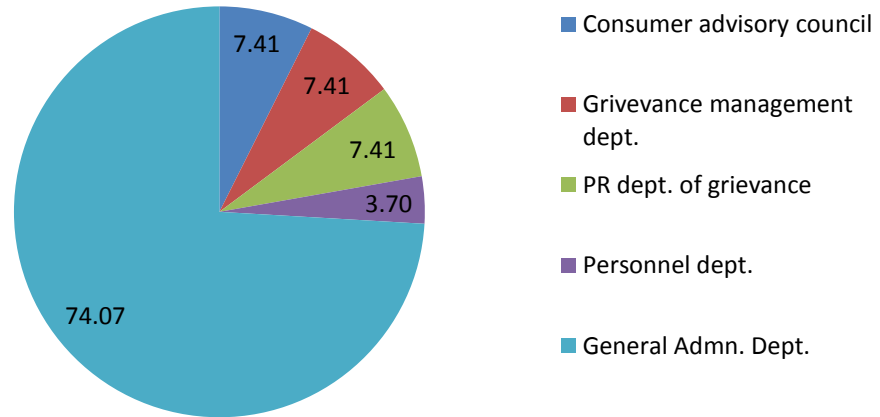


Chart - 4C Perception about grievance handling responsibility - Carrier

ETA

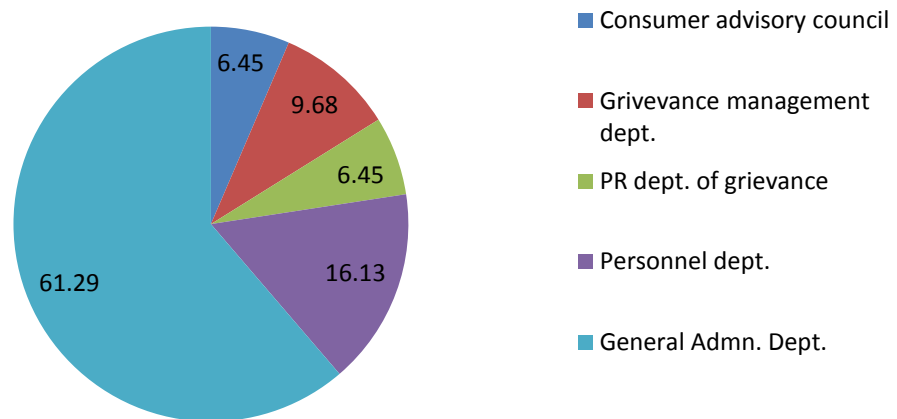


Chart - 4D Perception about grievance handling responsibility - ETA

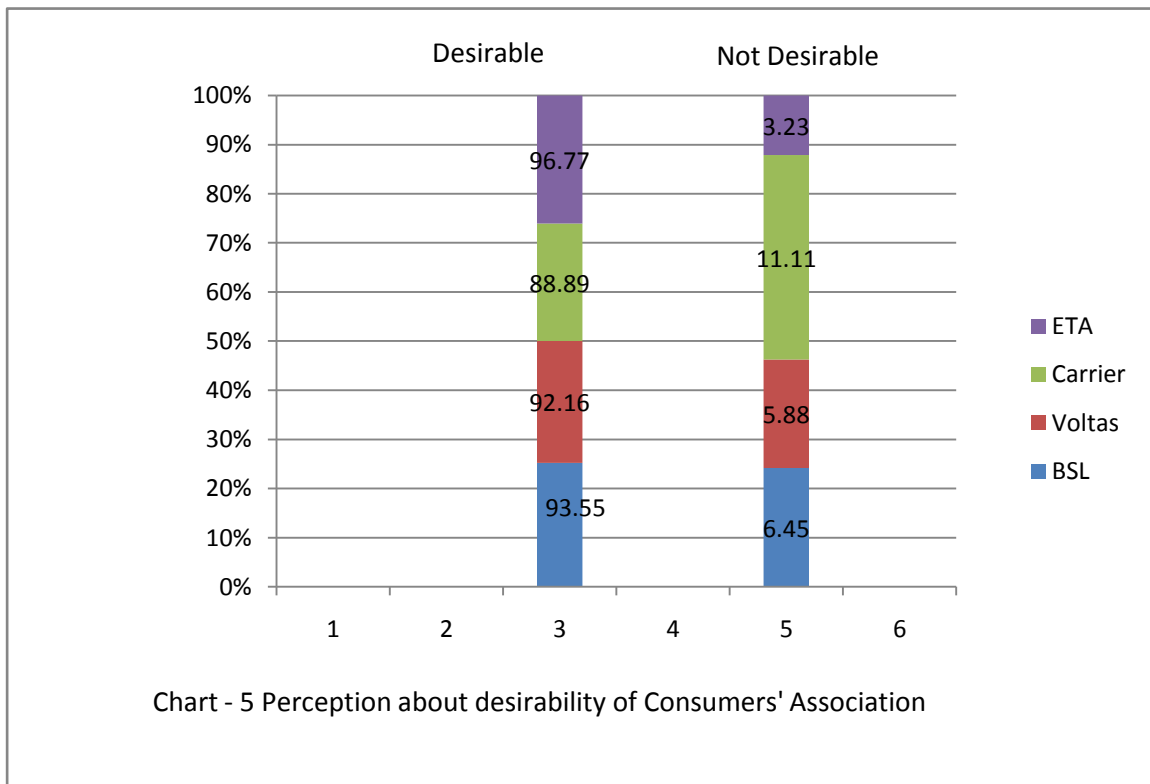


### **5.12 Perceived Need of Consumer's Association.**

The growth of consumerism has added an important dimension to social responsibility which spells out the fact that business in order to be effective and socially desirable will have to bother about the well being of consumers. The Table -5.13 reveals that in all the companies' sizeable respondents are in favor of consumer association. As high as 94% of BSL, 92% of Voltas, 89% of Carrier and 97% of ETA executives have favored and identified the need of consumers' association. As per the executives now a day in to the extreme and cut throat competition; it is important to build customer loyalty to gain high customer equity. It is very difficult and costly to gain new customer instead it is better to retain the old one by focusing more to his needs and by being sensitive to them. They also opined that even though we like it or not consumers' association is a must. They have also agreed that if not in the formal or structural way informally or by case to case bases under their market research programmes they constantly interact to know their feed back about the companies' performance and betterment.

**Table : 5.13 Perception About Desirability of Consumers' Association in the Organization (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a (Yes)	93.55	92.16	88.89	96.77
2	b (No)	6.45	5.88	11.11	3.23



### **5.13 Agreement Towards Consumers' Association Attributes.**

In modern era, with the growth of consumerism, consumer associations have become necessary. The Table 5.14 reveals the perception of the companies in this regards. From the Table 5.14 it is obvious that as high as 95 % respondents in case of BSL , 98% of Voltas , 96% Carrier and 100% ETA a were of the opinion that the consumers association makes management quality conscious. About 16% of the respondents of BSL, 17% of Voltas, 22% of Carrier and 32% of ETA respondents said that although it is necessary to have consumer association many a times it may bring tension to the management or disturb the management. Some of the executives of all the four companies have also perceived consumer's association hostile to the management. The reasons for their beliefs are ,

- (a) In high value industrial and construction projects certain customer groups may takes undue advantage of such associations for not paying as per the terms of payments of the contract or to avail more credit periods.
- (b) Since it is completely buyers market, consumers are mislead many time, by the influencers and competitors, such association will make buyer even more powerful and break the contract conditions, which may lead companies in to the problem.
- (c) Many of the executives are of the opinion that 'Customer relations' and 'Customer cultivation' is more positive way and helpful than having organized 'consumer's association.'

**Table : 5.14 Perception Regarding Consumers' Association in the Organization (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies							
		BSL		VOLTAS		CARRIER		ETA	
		Agree (In %)	Dis Agree (In %)	Agree (In %)	Dis Agree (In %)	Agree (In %)	Dis Agree (In %)	Agree (In %)	Dis Agree (In %)
<b>1</b>	<b>A</b>	95.16	4.84	98.04	1.96	96.30	3.70	100.00	0.00
<b>2</b>	<b>B</b>	75.81	24.19	70.59	29.41	81.48	18.52	74.19	25.81
<b>3</b>	<b>c</b>	74.19	25.81	78.43	21.57	92.59	7.41	96.77	3.23
<b>4</b>	<b>d</b>	87.10	12.90	90.20	9.80	92.59	7.41	100.00	0.00
<b>5</b>	<b>e</b>	88.71	11.29	90.20	9.80	100.00	0.00	93.55	6.45
<b>6</b>	<b>f</b>	16.13	83.87	17.65	82.35	22.22	77.78	32.26	67.74
<b>7</b>	<b>g</b>	8.06	91.94	5.88	94.12	3.70	96.30	9.68	90.32
<b>8</b>	<b>h</b>	30.65	69.35	17.65	82.35	7.41	92.59	12.90	87.10

a = It makes management quality conscious.

b = It refrains management from over pricing

c = It restricts management from adulteration.

d = It alters management to provide better services.

e = It keeps management informed about consumer's need

f = It brings unwanted tension to the management

g = It disturbs the company management

h = It is hostile towards the management

#### **5.14 Responsibility Towards Employees**

From the earlier days of Industrial Relations seems to have gone off, atleast for the air-conditioning industry. In all the companies, where they are undertaking a host of social responsibility activities, it is also noteworthy that management finds employees as an important resource and asset. All the companies' executives have accorded highest priority to training and educational facilities.

Majority of the companies top management executives have expressed that, shortage of skilled manpower is a serious threat to the industry; Industry needs technically qualified human assets willing to work hard on the project sites for mechanical construction. High paying and white collar jobs of service industries are found more attractive among the youth. Industry growth rate of around 25 to 30% in India is also facing problems due to the high salary air-conditioning professionals paid at Gulf countries. They do provide tax incentives which pull trained manpower from the country.

Understanding these limitations most of the companies are extreme sensitive to the employee needs and it is found that (Refer Table : 5.15), they have been provided good living conditions, training , educational aids , communication facilities and house rent allowance as a perk. It is also found that the senior level management executives are often provided with the entertainment and club facilities or esteemed perks.

**Table : 5.15 Perception of executives about CSR towards employees . (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	A	100.00	100.00	77.78	96.77
2	b	4.84	13.73	7.41	9.68
3	c	70.97	60.78	74.07	87.10
4	d	22.58	27.45	29.63	3.23
5	e	59.68	54.90	55.56	64.52
6	f	66.13	43.14	62.96	51.61
7	g	48.39	47.06	44.44	38.71
8	h	69.35	60.78	62.96	93.55

a = Training

b = Cheap Houses

c = Education

d= Leisure and Amenities

e = Healthy living condition

f = Profit sharing

g = Separate CSR department

h= Efficient system of communication.

**Note : More than one response has been accounted.**

### **5.15 Attitude Towards Employee Rights**

Technical and Professional employees are the backbone of the industry and the organization. Hence, effective working of business is intimately linked with their satisfaction with the job, i.e. the extent to which their rights are recognized by the management. From the Table 5.16 it is seen that the various rights of the employees like fair wages and salary, participation in decision making, membership of trade union are well recognized by the companies and executives. However for 'membership of trade union' they are little unclear and have two thoughts almost 50% of executives are in favor of considering the same as a 'right' of employee, however other half don't really think so. Collective bargaining and right to strike were rated low in comparison to other rights. It clearly indicates that the companies are well aware of their responsibilities towards the employees as long as this does not adversely affect their interest.

**Table :5.16 Perception of Executives Regarding Employee Rights (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies							
		BSL		VOLTAS		CARRIER		ETA	
		Yes (In %)	Dis Agree (In %)	Agree (In %)	Dis Agree (In %)	Agree (In %)	Dis Agree (In %)	Agree (In %)	Dis Agree (In %)
1	A	100.00		96.08	3.92	100.00	0.00	100.00	0.00
2	B	37.10	62.90	52.94	47.06	59.26	40.74	61.29	38.71
3	C	87.10	12.90	92.16	7.84	96.30	3.70	100.00	0.00
4	D	43.55	56.45	50.98	49.02	44.44	55.56	38.71	61.29
5	E	25.81	74.19	31.37	68.63	37.04	62.96	29.03	70.97

a = Fair wage and salary

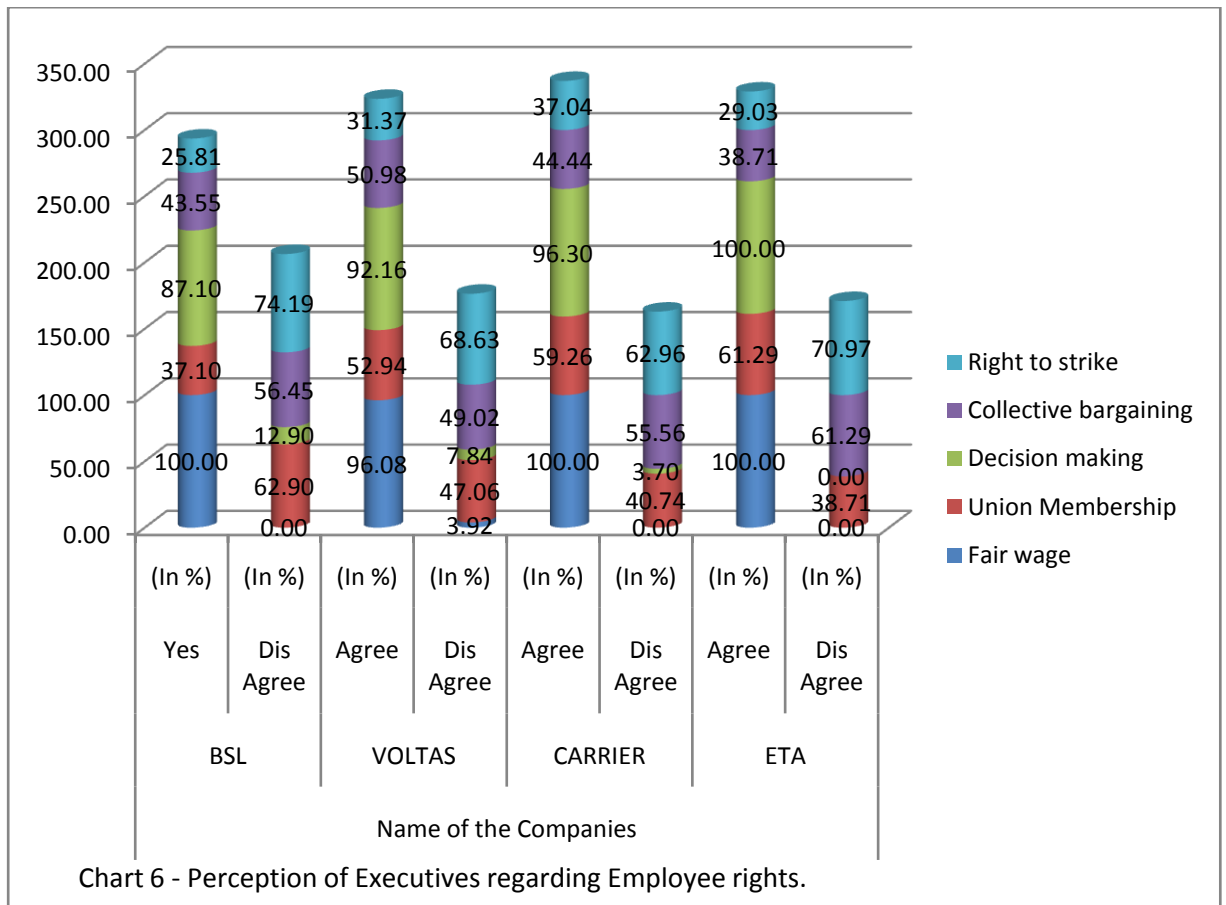
b =Membership of unions

c = Participation in the decision making affecting to their life

d= Collective bargaining

e = Right to strike





### **5.16 Interaction with Employees on Non-Work Platform**

Interaction with employees on a non-work platform enables the executives to develop better interpersonal relations with them. Hence, it is an important indicator of the extent to which management is keen on feeling the pulse of the people. The respondents' perception in this context is presented in Table 5.17. The data clearly show that there hardly a variation among the company practices of interaction with management with employees on non-work platform.

In all the companies it has been found that interaction with employees on a non work platform happens mostly regularly or frequently. Most of the top and middle management executives have expressed that half of the internal grievances and issues get resolved nicely once they meet informally and discuss out of the box on a non-work platform. BSL, ETA and Carrier executives have rated high interaction frequencies to ‘frequently and sometimes’ while Voltas executives has rated high to ‘Regularly and Frequently’. On the whole, it can be said that interaction with the employees on a non-work platform is considered desirable and most of the houses are professional enough in entertaining the same and they believed to have it effective.

**Table : 5.17 Perception of Executives About Interaction on Non Work Platform . (In %)**

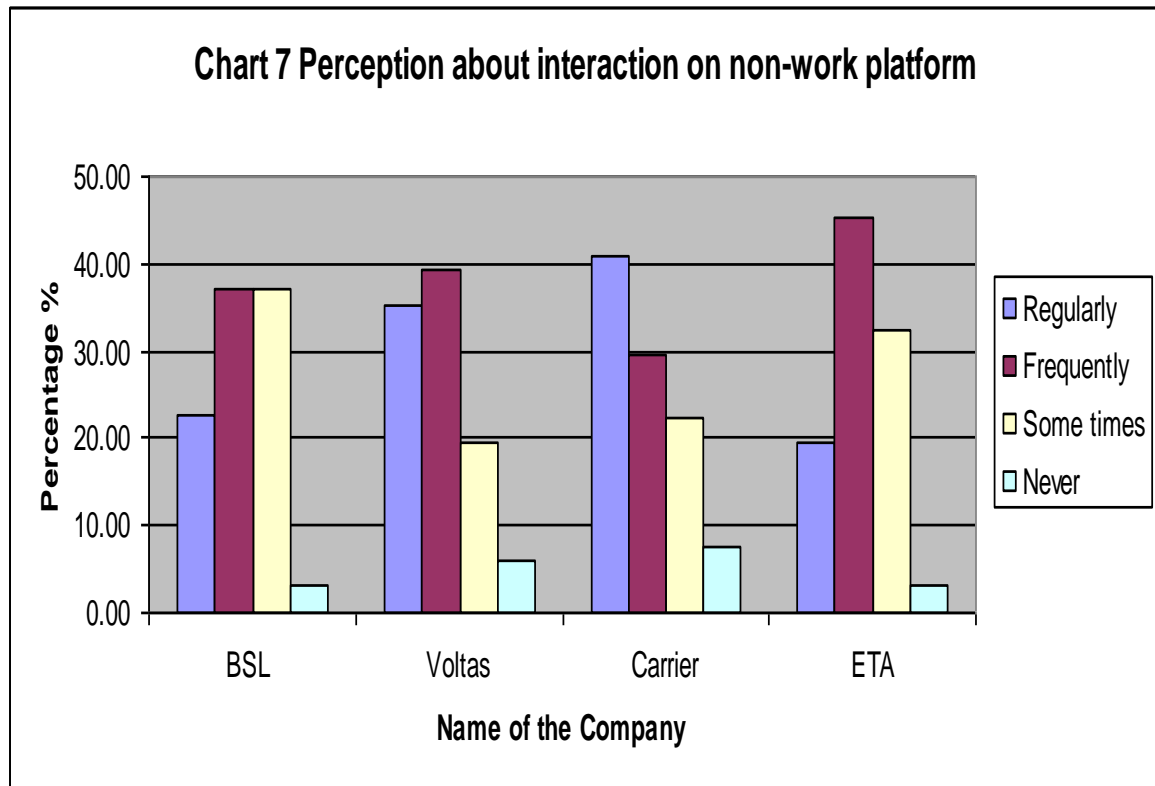
Sr. No.	Frequency	Name of the Companies			
		BSL	Voltas	Carrier	ETA
<b>1</b>	<b>a</b>	22.58	35.29	40.74	19.35
<b>2</b>	<b>b</b>	37.10	39.22	29.63	45.16
<b>3</b>	<b>c</b>	37.10	19.61	22.22	32.26
<b>4</b>	<b>d</b>	3.23	5.88	7.41	3.23

a = Regularly

b = Frequently

c = Some times

d= Never



#### **5.17 Methods of Interaction with Employees on Non-work Platform**

The manner in which executives interact with employees has lot to do with the efficiency of the interaction pattern. It is interesting to note that, in all the groups ( Table 5.18) informal meeting with employees' is considered to be an important method of interaction followed by ' joint consultation' and 'suggestion box'. The very approach of the companies reveals that a good balance has been struck between formal and informal methods of interaction. However many of the executives of the companies have agreed upon the fact that , most of the informal interaction happens on the evening gatherings supported by dinner and a wine, on in the smoking zone. The disappointing fact came out from the study that mostly young age group employees of the areas

specifically of ‘sales and marketing’ sides are habituated with a smoking and drinking habits and many executives have also opinioned that more young age diabetics , and high blood pressure employees are found working in to the corporate sector so as in air-conditioning industry.

**Table :5.18 Perception of Executives About Mode of Interaction on Non Work Platform . (In %)**

Sr. No.	Social Responsibility Activities	Name of the Companies			
		BSL	Voltas	Carrier	ETA
<b>1</b>	<b>a</b>	24.19	31.37	33.33	22.58
<b>2</b>	<b>b</b>	75.81	56.86	55.56	70.97
<b>3</b>	<b>c</b>	3.23	9.80	3.70	3.23
<b>4</b>	<b>d</b>	6.45	23.53	3.70	3.23
<b>5</b>	<b>e</b>	4.84	11.76	3.70	0.00

a = Joint consultation

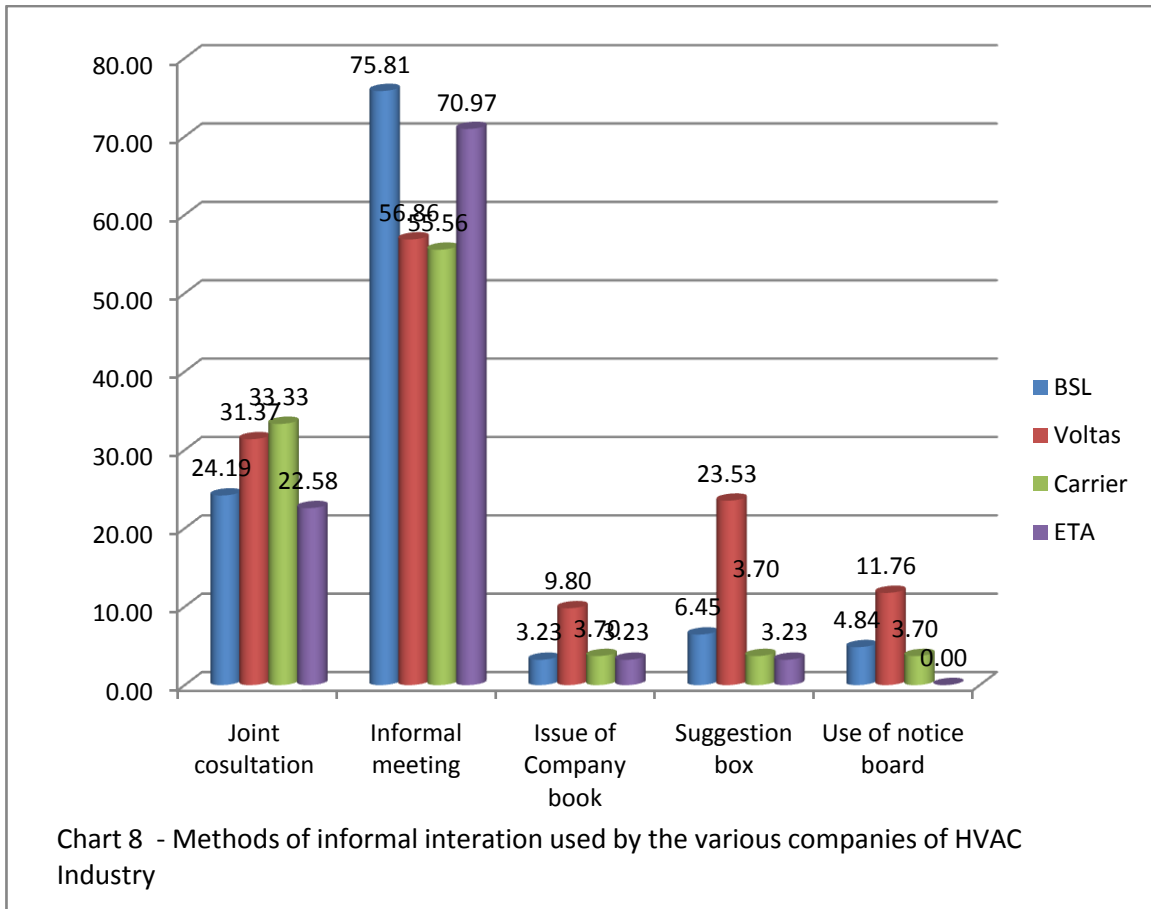
b = Informal meeting

c = Issue of Company book

d= Suggestion box

e = Dissemination of information through notice board

Note : More than one mode of meeting have been considered.



### **5.18 Responsibility Towards Shareholders**

The profitability of the companies largely rests with their contented and satisfied shareholders, because if their interest is not well taken care of then, the existence of the company will be at stake. The extent to which the companies are satisfying the need of shareholders is rated on 15 point scale, the result of which is indicated in Table 5.19.

From the analysis of data in Table 5.19 , it is clear that all the companies are dealing fair with the share holders , in terms of fair and reasonable returns and profit sharing and bonus schemes. Carrier operations of India and ETA operations of India are being the

part of the global Carrier and ETA Star group, executives were little unclear about the many of the aspects specifically on account of ‘profit sharing and bonus’ part however their feeling was quite positive about the companies policies and attitude about the share holders. Between India companies BSL is at the top in satisfying the shareholder’s demand followed by Voltas.

**Table :5.19 Frequency with Which Shareholder's Demand are Fulfilled by the Companies.**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	14.19	13.92	14.81	17.22
2	b	13.31	12.55	12.78	14.44
3	c	12.26	12.65	12.41	13.89
4	d	12.42	13.24	13.15	12.96
5	e	13.15	13.73	12.59	13.33
		65.32	66.08	65.74	71.85
	Mean	6.53	6.61	6.57	7.19
	Standard Deviation	0.78	0.62	0.97	1.69

a = A fair and reasonable return

b = Profit sharing and bonus payment schemes

c = Political and economic security for investors

d= Knowledge regarding working of an enterprise

e=Political progress report to satisfy shareholders that their capital is faithfully employed

Scale : \_\_\_\_\_

15                                      10                                      5                                      0  
 Always                      Some times                      Rarely                      Never  
 An inter-company comparison with regard to their approach towards satisfaction of

social responsibility is presented in Table – 5.20.

**Table 5.20 : Two tailed T-Test for Inter company comparison of Social Responsibility activities to share holders.**

<b>Companies</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>BSL</b>	0.0000	0.7420 (+2.3060)	0.8841 (+2.3060)	0.1674 (+2.4469)
<b>Voltas</b>	0.7420 (+2.3060)	0.0000	0.8993 (+2.3646)	0.2108 (+2.5705)
<b>Carrier</b>	0.8841 (+2.3060)	0.8993 (+2.3646)	0.0000	0.2105 (+2.4469)
<b>ETA</b>	0.1674 (+2.4469)	0.2108 (+2.5705)	0.2105 (+2.4469)	0.0000

**(Refer Appendix X for the detailed calculations)**

**Note : Figures in the parenthesis are table values of t , If the table value of t is  $t_t$ , and the computed values are  $t_c$ , then the difference is significant if  $t_c > t_t$  and the difference is insignificant if  $t_c < t_t$ . Level of significance is 5%.**

Inter-house comparison given in the table no 11 reveals that in case of inter company comparison computed value of  $T_c$  is 0.742 for BSL Vs. Voltas , which is 0.884 while comparing it with Carrier and the same is 0.167 for BSL Vs. ETA. Computed value of  $T_c$  is 0.899 for Voltas Vs Carrier and the same is 0.2108, however it is clear from the data that the inter-company comparison data among all the companies difference is found insignificant. i.e they hold smaller / alike views in fulfilling the responsibilities to share holders.

### **5.19 Frequency of Extent of Fulfillment of Social Responsibility**

From the point of view of social responsibility, it is desirable to know the perception of executives about the extent to which their companies are fulfilling various responsibilities. This problem was studied in the same fashion as the earlier one (See Table 5.21). It is interesting to note that with respect to all except one major social responsibility activities, the companies are fulfilling the responsibility to the extent found socially desirable. (Score ranges, between 'Always' to 'Sometimes'). However, with respect to involvement in public life and making of fair legislation the response seems to be little low in all the companies. From the self-rated score it can be concluded that all the companies consider themselves to be socially responsible.

If an inter house comparison is made we found that, the difference is not significant, i.e. their opinion regarding fulfillment of the responsibilities is more or less alike. Though from the self-rated scores, about the fulfillment of various social responsibilities, it is clear that executives at large feel that their companies are behaving in a socially responsible way, there is some difference among them with respect to certain statements regarding their social responsibility. At some point, the score seems to be self-contradictory which is obvious from the revelation about their ethical behaviors which they narrated in their personal discussions. The following statements noted from the personal interviews make the point all the more clear.



- In our country a host of businessmen have built empires from the scratch by corrupting already corrupt government and its machinery. Then there is no point in abiding by the letter of law. Infact, as long as , you are able to manage your own affairs, there is no need to worry about any body. (Many of the executives also questioned Mr. Ratan Tata's stand on ethics on values by quoting the on going debatable issue of telecom scam and the talks and dialogues Mr. Ratan Tata had with Ms. Nita Radia.)
- If you are really worried about social responsibility then why government employees are still out of control and we need to pay them huge money to get the things done? ask the government what is it doing for the people to whom it is accountable. When the government itself is corrupted then nothing should be expected from the business.
- It is a big fun to talk of abiding by rules and regulations in one's daily life. Even government is encouraging certain class of businessmen to break the laws !

**Table :5.21 Perception of Executives Regarding Companies Commitment to Legal Responsibilities**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	13.71	14.22	14.81	17.22
2	b	14.27	14.41	14.26	15.93
3	c	12.02	12.35	12.78	14.63
4	d	11.53	12.45	12.59	13.89
5	e	10.81	13.73	13.33	12.96
6	f	11.29	13.04	12.96	14.63
		62.34	67.16	67.78	74.63
	<b>Mean</b>	6.23	6.72	6.78	7.46
	<b>Standard Deviation</b>	1.47	0.97	0.96	1.68

a = Abiding the law

b = Payment of taxes, duties regularly

c =Not corrupting public servants and democratic process for selfish needs

d= Not adopting unfair means to acquire political support

e=Aspire for the national growth by making reasonable sacrifices.

f = Participating in public life and helping to make fair policies and fair legislation.

Scale : \_\_\_\_\_

15                                      10                                      5                                      0  
Always                                      Some times                                      Rarely                                      Never

These citations speak of the conscience of executives which highlight the fact that it is very difficult to practice ethical behavior while dealing with various conflicting

interests. The contradictory results are manifestations of the fact that when they are asked to comment on their ethical behavior they give a desirable answer, but in free and frank communication they open up their mind.

**Table 5.22 : Two Tailed T-Test for Inter Company Comparison of Fulfillment of Legal and Ethical Responsibility Activities.**

Companies	BSL	Voltas	Carrier	ETA
<b>BSL</b>	0	0.1442 (+2.3060)	0.1182 (+2.3060)	0.0112 (+2.2281)
<b>Voltas</b>	0.1442 (+2.3060)	0	0.8629 (+2.2281)	0.0672 (+2.3060)
<b>Carrier</b>	0.1182 (+2.3060)	0.8629 (+2.2281)	0	0.0822 (+2.3060)
<b>ETA</b>	0.0112 (+2.2281)	0.0672 (+2.3060)	0.0822 (+2.3060)	0

(Refer Appendix XI for the detailed calculations.)

**Note :** Figures in the parenthesis are table values of  $t$ , If the table value of  $t$  is  $t_t$ , and the computed values are  $t_c$ , then the difference is significant if  $t_c > t_t$  and the difference is insignificant if  $t_c < t_t$ . Level of significance is 5%.

### **5.20 Government's Attitude Towards the Social Responsibility of the Companies.**

When the government expects business to be socially responsible it must appreciate the behavior of those who are undertaking such activities. Table 5.23 reflects the perception of respondents about government's attitude towards their social role. Majority of respondents of Voltas (71%), ETA ( 58%); Carrier ( 44 %); and BSL (39%) feels that governments attitude is quite favorable to the social responsibilities activities of the

companies. Many executives of the companies like BSL (29%) , Voltas and Carrier (18%) also feels that the government's role is indifferent to their social activities. Most of them feels that government do not give it adequate attention other than just giving relaxation corporate tax and other government levies. It leads to conclude that government is much concerned about those companies which undertake social responsibilities on large scale and pays scanty attention to those who are embracing the activities on a low profile.

**Table : 5. 23 Perception About Government's Attitude Towards Companies CSR.  
(In %)**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	38.71	70.59	44.44	58.06
2	b	0.00	0.00	0.00	0.00
3	c	29.03	17.65	18.52	9.68
4	d	11.29	0.00	3.70	3.23
5	e	20.97	13.73	33.33	29.03

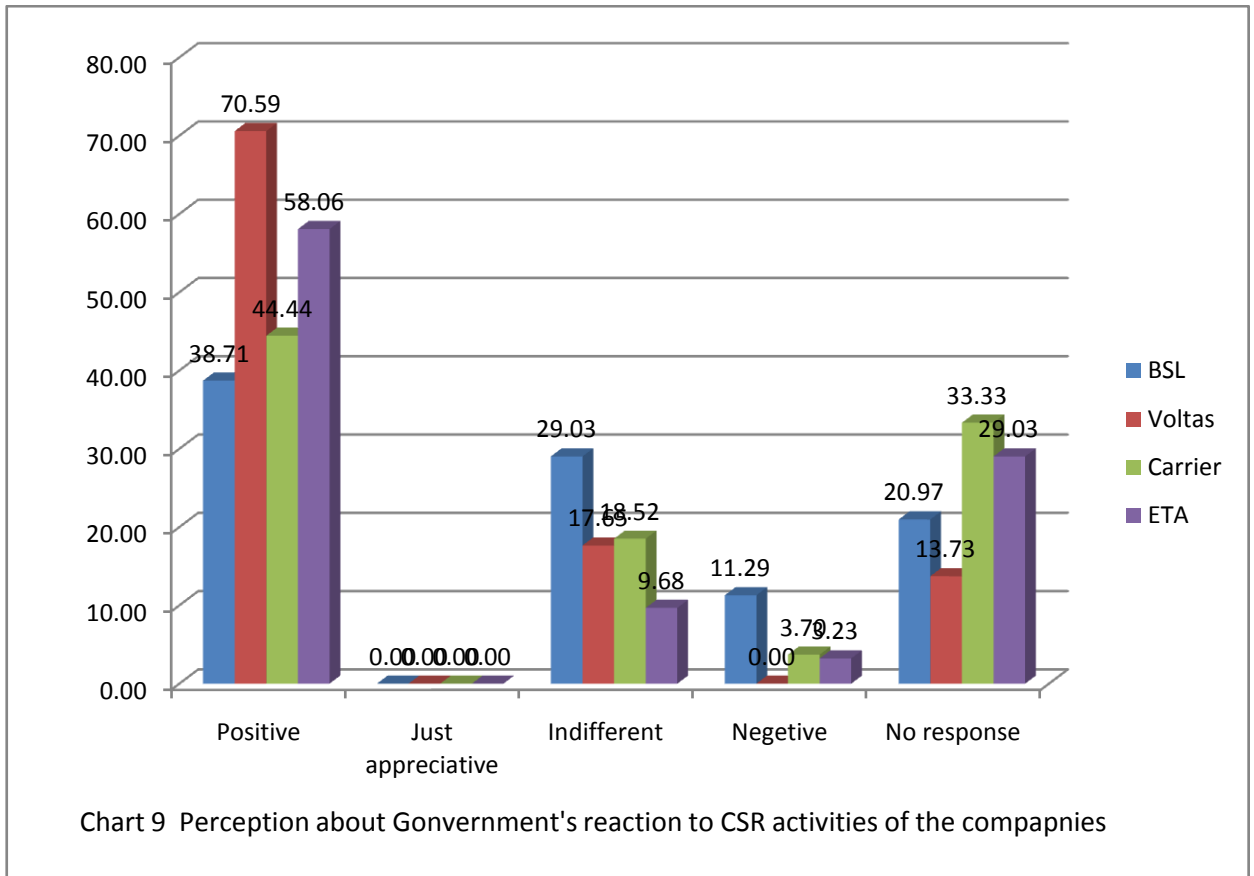
a = Positive

b =Just appreciative

c =Indifferent

d=Negative

e=No response.



### **5.21 Ethics in Business**

The ethical conduct of the business is of paramount importance from the point of view of the society. When the respondents of the companies were asked to rate the ethical behaviors of their business (see Table 5.24) above 80% respondents of all the companies are of the view that they are always doing business in a highly ethical manner. As the very world ethics has different meaning for different people at different time. Hence, what is seen as ethical for business may not be seen as ethical for society or vice-versa. The argument made by the executives in favor of their ethical standards are self contradictory which is obvious from their perception of certain citations given below. Further, the attitude of the companies towards unethical practices which they would like to eliminate from the companies. The divergence of opinion is largely due

to their conflict between what they should do and what they are actually doing in terms of their perception of ethics. Moreover, the question seems to be answered keeping in view social desirability bias. Hence, results are about to be at variance with reality, which is obvious from the opinions they revealed during the course of discussion. A few are cited below.

- It is good to talk of ethics in the context of Indian business in current competitive environment, as the social structure however it is so terrible and corrupted environment that without resorting to unethical means one cannot get any work done, however small it may be and when one comes to big issues the amount of corruption rises further.
- Yes, its nice to talk about ethics, but when it comes to business, one has to forgive many things. Without greasing the pumps of the consultants, architect and government, for sure in air-conditioning industry it is impossible to get the work done in many situations.
- The work ethics is out of the dictionary of Indian business. The art of getting the work done is very simple. Exploit other's weakness and pacify them. You will see how fast things can change.

**Table : 5.24 Perception About Ethical Values of the Organization (In %)**

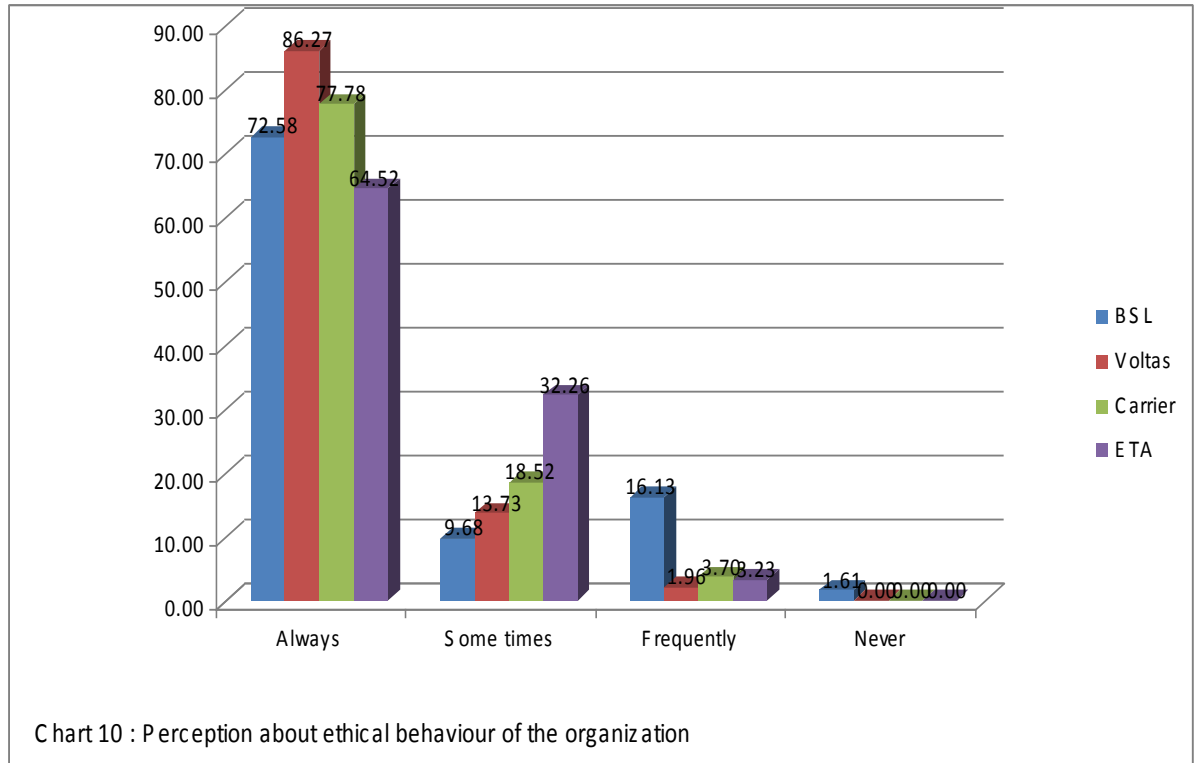
<b>Sr. No.</b>	<b>Circumstances</b>	<b>Name of the Companies</b>			
		<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>1</b>	<b>a</b>	72.58	86.27	77.78	64.52
<b>2</b>	<b>b</b>	9.68	13.73	18.52	32.26
<b>3</b>	<b>c</b>	16.13	1.96	3.70	3.23
<b>4</b>	<b>d</b>	1.61	0.00	0.00	0.00

a = Always

b =Some times

c =Frequently

d=Never



### **5.22 Hurdles in Discharging Social Responsibility.**

To talk of social responsibility sounds quite idealistic, but it is not so easy for the business to discharge the social responsibility, because a number of factors often come on the way. As noted earlier business companies, employees and promoters or directors often deploy a number of unethical means to keep their business going. It certainly highlights the fact that, there are many factors which prohibit business to discharge its social responsibility effectively. The data shown in Table 5.25 shows that one of the strongest hurdle is the administrative hurdle as prioritized by the major executives group of all the companies. A majority respondents of BSL, Voltas, Carrier and ETA shared this view, and close to average of 50% executives have rated rank 1 as the administrative hurdles. However some of the executives also feel that economic and



emotional hurdles are the next key bumps in the road of the social responsibility. However political and organizational hurdles have got less weightage by the executives of the selected companies.

These findings are in favor of government action post liberalization in reducing procedures and processes for the business world and helping them to boost with economic reforms. (Specifically low ratings to 'political hurdles' are indicating the same.) Executives have been widely accepting the fact that post implementation of Internet technology in government's departments like Excise , Income Tax , Customs etc. transparency has increased and entry barrier has come down for the industries and processes have got speed up as well as transparency has increased. Which has reduced time taken in to the processes and procedures , which is very well welcomed reform for the business. According to them the same has helped businesses to contribute high on the manufacturing GDP over last three years even in the crisis conditions like global recession and US sub-prime crisis conditions of 2008-2009.

**Table : 5.25 Hurdles in discharging Social Responsibility ( In %)**

<b>Hurdles</b>	<b>Political Hurdles</b>					<b>Organizational Hurdles</b>					<b>Emotional Hurdles</b>				
<b>Priorities in order of ( 5 to 1)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Company</b>															
<b>BSL</b>	20.97	17.74	9.68	14.52	37.10	16.13	14.52	30.65	30.65	8.06	14.52	20.97	30.65	9.68	24.19
<b>Voltas</b>	17.65	11.76	7.84	15.69	47.06	9.80	17.65	29.41	31.37	11.76	15.69	19.61	33.33	15.69	15.69
<b>Carrier</b>	7.41	0.00	14.81	33.33	44.44	11.11	14.81	22.22	25.93	22.22	3.70	33.33	48.15	14.81	0.00
<b>ETA</b>	32.26	3.23	0.00	19.35	45.16	9.68	32.26	16.13	25.81	16.13	3.23	9.68	61.29	12.90	12.90

<b>Hurdles</b>	<b>Economic Hurdles</b>					<b>Administrative Hurdles</b>				
<b>Priorities in order of ( 5 to 1)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Company</b>										
<b>BSL</b>	8.06	38.71	14.52	22.58	16.13	40.32	11.29	16.13	19.35	12.90
<b>Voltas</b>	11.76	41.18	19.61	15.69	11.76	45.10	11.76	7.84	21.57	13.73
<b>Carrier</b>	3.70	44.44	7.41	18.52	25.93	74.07	11.11	3.70	3.70	7.41
<b>ETA</b>	9.68	41.94	16.13	22.58	9.68	45.16	16.13	6.45	16.13	16.13

### **5.23 Unethical Practices Adopted by the Firms.**

It is widely believe that in the realm of business, unethical practices are quite largely deployed by the enterprises to maximize the gains. The Indian business environment is certainly not that conducive to completely ethical behavior. Hence, here unethical practices are at peak, but it is surprising to find that although enterprises adopt such practices, executives while have been asked about the unethical practices they would like to eliminate like bribes, gifts, gratuities etc. most of them responded to the fact that such practices are being carried out and should be avoided ideally but it is next to impossible to eliminate from the business world.

However the second important unfair practice relates is, unfairness to the employees, keeping prejudicial attitude and favoritism, which executives feels that, scientific approach in performance appraisal with the help of modern day's management concepts and proper tools the biases in ratings can be eliminated. Unfair pricing was the third most important unethical practices which were fairly rated by all the companies broadly should be avoided. The confession by the executives regarding unethical practices leads us to conclude that the business in the country can not survive without resorting to such practices.

**Table 5.26 : Executives Perception About Unethical Practices  
Prevailing in the Industry and Organization Which They Would Like  
Get Eliminated**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a	59.68	76.47	74.07	80.65
2	b	43.55	52.94	59.26	64.52
3	c	40.32	27.45	18.52	32.26
4	d	35.48	45.10	51.85	51.61
5	e	64.52	74.51	88.89	80.65
6	f	29.03	41.18	25.93	48.39
7	g	29.03	31.37	18.52	25.81
8	h	27.42	23.53	14.81	19.35
9	i	16.13	0.00	0.00	6.45

a =Gifts ,bribes , gratuities, call girls

b = Price discrimination, unfair pricing, under cutting, price rigging

c = Dishonest advertising.

d= Dishonesty in mailing or keeping contract.

e= Unfairness to employees, keeping prejudicial attitude and favoritism

f= Spreading false rumors regarding competitors business or goods.

g = Using undue financial and political pressures

h =Creating labor or material trouble for competitors.

i = No response given.

Note : Multiple options have been accounted.

#### **5.24 Executive's Perception About the Code of Conduct**

As noted earlier the unethical practices are quite rampant in all the companies, and it is increasingly realized that the conditions are not going to improve in the present milieu. Moreover, the law too has failed in checking the unfair trade practices. Under such conditions, self-regulation in the form of some code can mitigate the problem to certain extent. The executives' perception about the impact of code was studied on a 20 point scale.

From Table 5.27 it is obvious that the executives of all the groups are not very optimist about the result that could be obtained from implementing the industries' code of conduct. The mean scores varies in the range of as low as 2.92 (Carrier) to 8.15( ETA).

The inter-company comparison in this context is presented in Table-28.

All the inter-company comparisons on the T-test shows that difference is insignificant on the significance level of 5%, which means and concludes that their opinion have more similarities.

<b>Table 5.27 Executives Perception Regarding Code of Conduct</b>					
<b>Sr. No.</b>	<b>Circumstances</b>	<b>Name of the Companies</b>			
		<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>1</b>	<b>a</b>	17.74	18.43	8.47	22.04
<b>2</b>	<b>b</b>	13.63	13.92	4.35	16.67
<b>3</b>	<b>c</b>	10.65	11.08	4.27	12.41
<b>4</b>	<b>d</b>	14.27	15.59	6.05	15.74
<b>5</b>	<b>e</b>	11.69	10.59	6.05	14.63
		67.98	69.61	29.19	81.48
	<b>Mean</b>	6.80	6.96	2.92	8.15
	<b>Standard Deviation</b>	2.74	3.25	1.71	3.58

a = Code of conduct would raise the ethical level of the industry

b = The code would be easy to enforce

c = The code would protect the inefficient firms and retard the dynamic growth of industry.

d= The code would help executives by defining clearly the limits of expected conduct.

e= People would violate the code whenever they thought they could avoid detection

Scale

---

20	15	10	5	0
Fully Agree	Agree	Neutral	Disagree	Totally Disagree

**Table 5.28 : Two Tailed T-Test for Inter Company Comparison of Executives Expectation of Code of Conduct.**

<b>Companies</b>	<b>BSL</b>	<b>Voltas</b>	<b>Carrier</b>	<b>ETA</b>
<b>BSL</b>	0.0000	0.8686 (+2.3060)	0.9319 (+2.3646)	0.2224 (+2.3646)
<b>Voltas</b>	0.8686 (+2.3060)	0.0000	0.8270 (+2.3060)	0.3043 (+2.3060)
<b>Carrier</b>	0.9319 (+2.3646)	0.8270 (+2.3060)	0.0000	0.2583 (+2.3060)
<b>ETA</b>	0.2224 (+2.3646)	0.3043 (+2.3060)	0.2583 (+2.3060)	0.0000

(Refer Appendix XII for the detailed calculations.)

**Note :** Figures in the parenthesis are table values of  $t$  , If the table value of  $t$  is  $t_t$ , and the computed values are  $t_c$ , then the difference is significant if  $t_c > t_t$  and the difference is insignificant if  $t_c < t_t$ . Level of significance is 5%.

#### **5.25 Effective Body for the Implementation of the Code.**

The executives at large have questioned the effective working of the code. However, it is to be implemented, then, the majority of respondents of all the groups preferred self enforcement of the along with the group consisting of members of organization as well as of the community. (Please refer the Table No 5.29.)

This leads us to conclude that firstly, Companies do not prefer government interference in this regards and secondly, they want that a wide publicity should be given to the issue so that they get public acknowledgement of such activities.

**Table : 5.29 Perception About Enforcement Committee of Code of Conduct (In %)**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
<b>1</b>	<b>a</b>	38.71	35.29	14.81	12.90
<b>2</b>	<b>b</b>	19.35	23.53	25.93	16.13
<b>3</b>	<b>c</b>	33.87	37.25	59.26	61.29
<b>4</b>	<b>d</b>	8.06	3.92	0.00	9.68

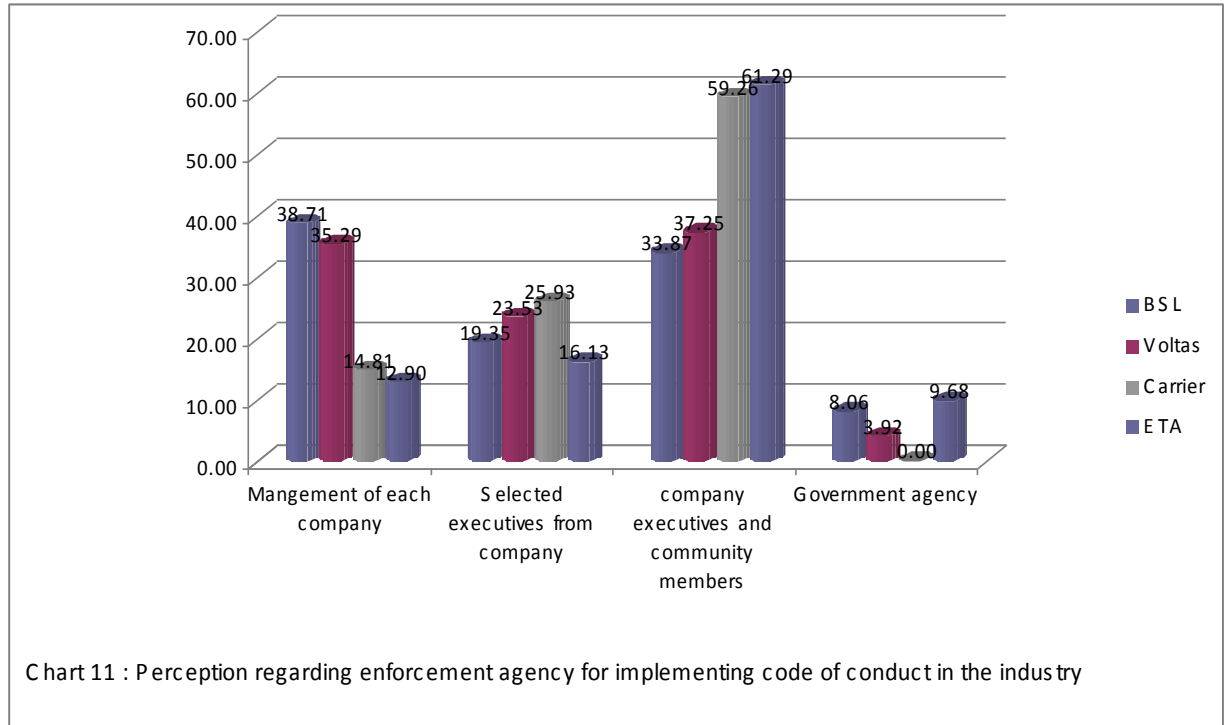
a = The management of each company (self enforcement)

b = A group of executives selected from each company

c = A group composed of executives from the industry plus other members of the community

d= A Government agency





### **5.26 Attitude Towards Formulation of Ethical Code.**

As noted earlier all the companies, though professing social responsibility, are practicing some unethical practices on account of various reasons. However their attitude towards formulating the ethical code is quite positive, as majority of the executives of all the companies strongly agree for the formulation of such code. This leads us to conclude that they are very concerned about their actual socially responsible behavior in contrast to the idealism which they process. (Refer Table No : 6.30)

**Table : 5.30 Perception About Need of Code of Conduct (In %)**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
<b>1</b>	<b>a</b>	53.23	50.98	48.15	54.84
<b>2</b>	<b>b</b>	22.58	27.45	37.04	32.26
<b>3</b>	<b>c</b>	17.74	19.61	11.11	12.90
<b>4</b>	<b>d</b>	3.23	1.96	0.00	0.00
<b>5</b>	<b>e</b>	3.23	0.00	3.70	0.00

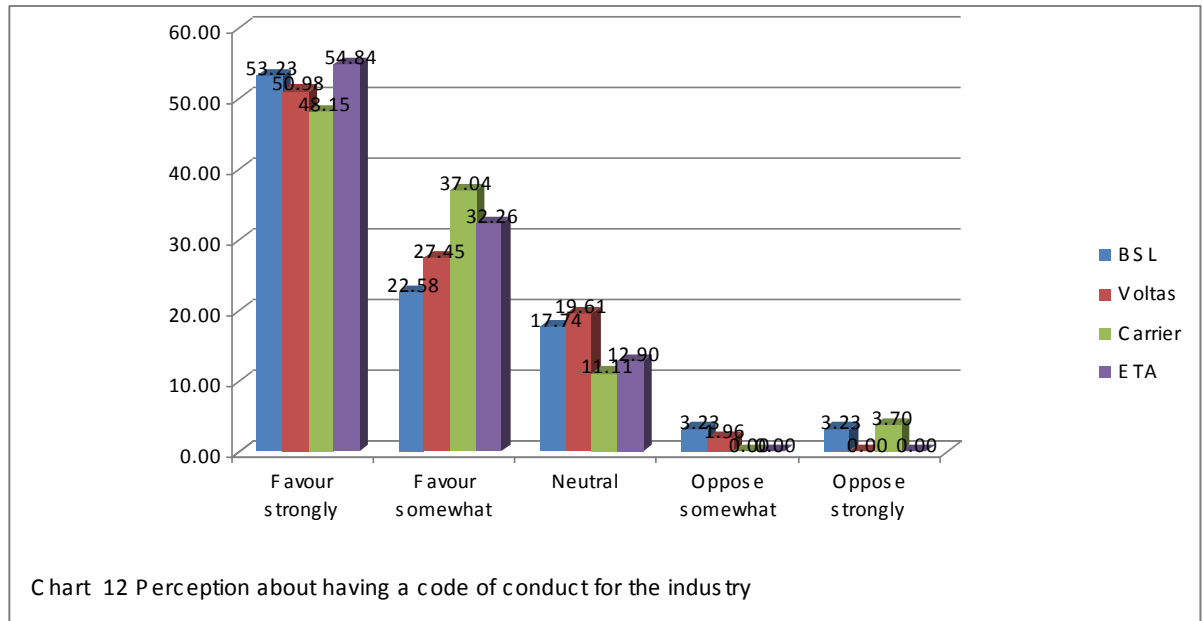
a = Favor strongly

b = Favor somewhat

c = Neutral

d= Oppose somewhat

e= Oppose strongly

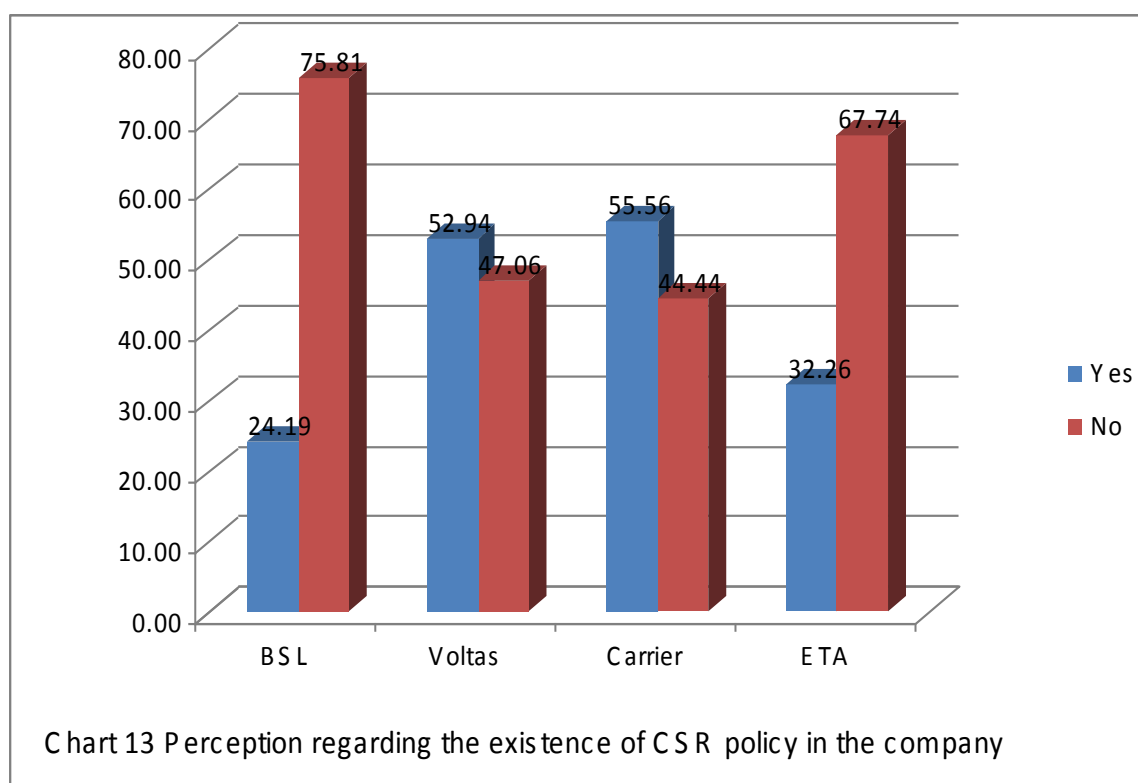


### **5.27 Existence of Social Audit System.**

Those organizations which are really bothered about their social responsibility activities should have a well conceived social audit system to monitor their social role. But, the information in this context is rather surprising (Table 5.31). In all the companies executives have answered the question expressing the need for having such a system as well as not having it or by expressing the fact that, if it is in existence, they are not aware about it. The divergence of opinion in this context can be due to the fact that either the respondents do not require such a system or they are ignorant of the existence of the system. Companies if they are adopting CSR as a strategic management concept or a criteria for their long term 'Vision', than they need to look in to the formation of CSR policy and documentation of it as well as they also need to ensure that the employees and other stake holders are made aware about it and updated about it as frequently as they financial reports and performances.

**Table : 5.31 Information Regarding Existence of Social Policy in the Organization (In %)**

Sr. No.	Circumstances	Name of the Companies			
		BSL	Voltas	Carrier	ETA
1	a (YES)	24.19	52.94	55.56	32.26
2	b (NO)	75.81	47.06	44.44	67.74



### **5.28 Conclusion**

From the detailed tabulation and analysis of the primary data obtained from the various executives of HVAC industry firms it is very clear that, the executives and the management of the industry firmly believes the need of the social responsibility of the company. Besides helping to the society as a whole CSR efforts of the companies will equally be helpful to the business and the company by itself. From the data analysis obtained based on the Hay and Grey scale it is found that while executives of all four company have equally divided beliefs about the 'Social responsible' behavior Vs. 'Calculative behavior' on one point they have agreed about the fact that 'Only Profit maximization' behavior is not desirable for the company and the society.

It is also interesting to note that the air-conditioning industry executives are very clear on their perception about the desirability of the ethical behavior towards not only the stake holders like 'employees', 'customer' and 'shareholder' but they do believe that for the healthy atmosphere with in the industry and to over come contemporary challenges saving earth and preserving environment entire industry need to work together and even socially responsible behavior is desired towards the 'competitors' also. It was important to note that the most of the companies have identified 'environment protection and energy efficiency' as their prime focused area of discharging CSR for which the industry is directly connected and responsible. Other areas of social causes are 'educational aids' , 'dynamic infrastructure' and 'creation of employment'. From which it is very clear that industry players are more concerned about the causes which

are either they feel that they are directly responsible for or towards the area where along with the social benefits even the air-conditioning industry also gets the benefit.

On the account of discharging social responsibility towards the ‘employees’ and ‘customer’ their views are indifferent and clear that in the competitive world the industry organizations have no way out of considering the importance of the main stake holders like ‘consumers’ and ‘employees’. Although the need has been found for the ‘Corporate Social Responsibility’ by the executives of all the four companies , it is important finding that in none of the organization people are clear about the existence of ‘Social Responsibility’ policy or ‘Social Audit’ etc. These also leads to conclude that in the above organizations, CSR is adopted but the CSR efforts are not managed professionally or not much of the thinking and managerial resources are made available to CSR activities. The internal communication about the CSR activities also sounds to be a cause of concern.

### **References.**

1. Luck, D.J. and Rubin, R.S. (1987). '**Marketing Research**' , Seventh Edition, Prentice - Hall.
2. Hay R, D & Gray E, R (1977) : Business and Society, Cincinnati South-Western Publishing CO. 1981 P:9
3. Jadeja,(Dr.)J .D. (1992). 'Approaches towards the Social Responsibility in the Industrial Houses of Gujarat', Sardar Patel University , Vallabh Vidyanagar. Pp 85-86
4. SPSS Version 13.0 for windows : Coakes Sheridan J and Steed Lyndalyy Dzidic Peta – Wiley Publication New Delhi.
5. Cooper Donald R, Schindler Pamela S. : "Business Research Methods" Tata Magrawhill publication. 9<sup>th</sup> Edition.

## Chapter 6

---

### **Findings , Synthesis , Suggestions and Conclusion.**

6.8 Prologue

6.9 Synthesis

6.9.1 Rationale

6.9.2 Dimensions

6.9.3 Critique

6.10 Summary of Commonalities and Differences of CSR Activities and Approaches among the Selected Companies.

6.11 Major Factors Affecting In Commonality of Adopting CSR area for HVAC Industry Companies.

6.12 Concerns for CSR Vs. Profit Matrix for HVAC Industry Companies.

6.13 Suggestions.

6.14 Scope of Future Research

---



## Chapter 6

---

### **Findings , Synthesis , Suggestions and Conclusion.**

#### **6.1 Prologue**

The central idea behind “ethical marketing” is to improve sales by touching a chord with a customer. The brand promise includes a certain cultural and social context for the customer, which helps him contribute to society indirectly by purchasing the product. This has now taken many more serious forms. For instance, there is the increasing trend of fair trade, which asks consumers to pay a guaranteed commodity price to a small group of producers, who in turn promise to pay fair labor prices while conserving the environment. Many companies which were swept off their feet by the carbon emission story and rushed to find alternative sources of supplies closer home later realized that their actions might be deepening impoverishment in some other part of the world. Or, that carbon set-offs being promised by certain airlines might actually push farmers in other parts of the world further away from technological advances.

Under this condition a big question looms for India Inc. is to what extent social concerns must be integrated to the business? Surveys show that consumers in the developed world— particularly in UK and Europe—are increasingly using their wallets to assuage their social conscience. If, and when, the trend does come to India, will Indian manufacturers be ready to provide products that are, say, not produced by underpaid labor or do not involve toxic inputs? This could well be the new competitive matrix for Corporate India.

It's noteworthy remark of the **World Economic Forum** in their report

“First and foremost, our companies’ commitment to being global corporate citizens is about the way we run our own businesses. The greatest contribution we can make to development is to do business in manner that obeys the law, produces safe and cost effective products and services, creates jobs and wealth, supports training and technology cooperation and reflects international standards and values in areas such as environments, ethics, labor and human rights . A key element of this is recognizing that the frame works we adopt for being a responsible business must move beyond philanthropy and be integrated into core business strategy and practice. ( 2003:2).”

Under the given concerns and situation it is indeed an attempt of the researcher in the present research to understand that, Does HVAC industry in India behaves in a socially responsible manner or is it geared up sufficient enough to produce and market socially responsible goods? Specifically when industry is facing a big challenge in terms of non-environment friendly refrigerants being used? And what are their attempts to know and understand the global concern of climate change?

## **6.2 Synthesis**

While taking up the research work researcher have found that even after working for the Air-conditioning about thirteen years in project management area, the most important dimension was never studied or given any focus that is the understanding the CSR approaches of the industry. Yet, an in the present research an attempt has been made to analyze the information gathered during the research work with in the existing conceptual framework. This is intended only as an initial survey on which researcher intends to do further work as he considers this area to be of crucial importance.

However, the data so obtained provides useful **information** for reaching at fruitful analysis.

- Today, the phrase ‘Social Responsibility of Business’ has acquired a central place in the management literature. It is no longer regarded as a thought by the corporate, but it has been a hard core organizational reality and an important element of ‘Strategic Concept’ in the corporate.
- Air-conditioning industry (HVAC Industry) in India has no longer remained an un-organized industry but it is emerging as a large industry with expected size of Rs. 40,000 Crore by 2013 (Projected) and has intensive competitive rivalry in all its product segments. ‘Corporate Social Responsibility’ is not at all an alien word or the literature for the industry but it is a hard core need of an hour and very important component of present day strategic management for the industry players which has over 7 to 10 different organizations from the world in each segment present in Indian Market.
- The need and change of the growing concerns towards the society by business world and corporate make corporations to strike a balance between their ‘prompt’ and ‘society oriented’ goals. To be more specific, the concepts of social responsibility of business include all those obligations of business that assumes voluntarily and are carried out for the benefit of the masses. It should not be confused with philanthropy or benevolent attitude of the company. It is a part and parcel of total corporate strategy.

### **6.2.1 Rationale**

Generally business has been perceived as; “An economic institution with a strong inclination towards the profit’ Hence, businessmen in different parts of the world embraced scores of unethical business practices to sub serve their economic interests. These conditions prevailed all over the world uptill early sixties. But, with a passage of time, due to the pressure of public opinion and that of various and the increase in the level of education have forced the businessman to take a fresh look at its social role. Also, the enlightened self-interest played a vital role in changing their social responsibility philosophy and encouraged them to adopt a more liberal outlook towards the problems. Today, it is widely held that ‘business is for the society and not the society for the business.’

So as , Air-conditioning industry players in India do have a concerns for their growth along with the society and it has been found that in the study that all the four selected companies leadership , and their management executives have a clear perception about the desirability of the social responsibility as an important part of the their business.

### **6.2.2 Dimensions**

Over the decades the concept of social responsibility has changed considerably and so its dimensions. Today, it is not more regarded as just sticking to the letter of law or only welfare and philanthropic activities but it includes all those activities which are meant for the welfare of the society and the mankind at large. There is no exaggeration to say that with respect to dimensions of social responsibility sky is the limit. It does also include the direct and indirect stake holders of business itself also. CSR concepts have now two broad bases (1) Intrinsic CSR and (2) Extrinsic CSR. Intrinsic CSR includes

responsible behavior by the corporate for all the direct and indirect associates of the business activities like employees, share holders, competitors, vendors, dealers, suppliers, share holders etc. Scope of Extrinsic CSR includes the responsible behavior of the corporate even for the society with which business does not interact or have association directly like the community, and the society.

### **6.2.3 Critique**

In modern management literature perhaps there is no other area as widely debated as CSR. It advocates and critics strongly defend their views and ideas. The defenders to the concept feel that socially responsible organizations are the back born of the society and healthy corporate world, where as the critics feed that masses do not know who pays for the corporation's social activities? The vary problem of the social responsibility has sprung out of the interrelated elements that business confronts with, i.e. profit and social responsibility behavior. It is an open secret that social responsibility activities which call for heavy financial involvement do not lead to any tangible profits. On the contrary it dilutes the profit of the business. Therefore, no businessman can afford to be engaged in the activities which may thin out his profits and often engages him in a spare of unfair trade practices to acquire wealth.

Some belief and critique :

“Many a time businessman earns money by exploiting employees, consumers, environment degradation and adopting unethical business practices. The money is invested in various welfare programmes, there by not only is economic and social power increases, but also influences on the Government gets positive thrust.”

“Only the financially sound and developed organizations dare to undertake social responsibility activities, but to make dent in the field, small entrepreneurs also fall in the line, infect the craze of acquiring the status of being a good corporate citizen may force businessman to behave the most unethical ways.”

A class of management people is also of a view that “Businessmen should confine their business to economic and legal responsibilities. Those organizations which are really serious about the social cause should carry of their task by parting certain amount of profit instead of killing its own conscience, or further generating any more social problems”

It was quite interesting to note while undergoing the CSR literature that, in India, from the time immemorial social responsibility practices existed. One can trace it from the ‘Vedic period’ to ‘Modern era’. After the era of industrialization unethical practices began, In order to earn quick money business man indulged in many mal practices, and conditions have deteriorated with the passage of time. At this stage Government thought it desirable to enact the laws to curb such practices. Even, this could not make business man to behave in a socially responsible manner. They started finding loopholes in the laws and regulations and even corrupting the Government officers, of course for the same it’s not correct to blame only businessman, as one can not clap with one hand only.

In the battle of the thoughts of philosophy and need of the CSR by the organizations, in for and against some of the important findings about the belief and thoughts of the executives of the selected players of air-conditioning industry i.e. (1) BSL (2) Voltas (3) Carrier and (4) ETA are analyzed and recorded as follows.

*The Findings and Synthesis are ,*

- While industry player are in tough situation of the tremendous competitive market pressures and profits margin under deep pressures at one end and at the other hand their socially responsible behavior forces them to take socially responsible steps of promoting environment friendly products and community development, it was quite interesting to note that for HVAC industry the all four selected companies and their executives selected for the study have found the CSR as the most important need and desirable philosophy of the corporate and they have accepted that CSR is not only in to the interest of the society alone but it also helps the business at large also.
- Self rated scores of the executives about the social responsibility of their companies reveal that they consider themselves to be socially responsible. As calculative and profit maximizing behavior was rated low level over socially responsible behavior, which is obvious from the fact they are pursuing lots of social responsibility activities over the years and found that by fulfilling this role, they are getting certain amount of satisfaction.
- Among a host of publics that interact with business feel that problems of customers, shareholders, employees and society should be given an utmost important attention. It was also interesting to find that the executives believed that, not only the stake holders but corporate has to be responsible even for the competitors, than only industry can face the challenge of research and development of environment friendly products and can fight against the Ozone depletion.

- From the study it is clear that all the four companies are taking host of social responsibility activities , however their major investment goes into the creating and promoting ‘Environmental friendly’ product solution and promotion of the same. All four players are organizing a large number of events for creating ‘environmental awareness’ and cleaning up their hands. The other important areas are, energy saving, rural development, education, industry infrastructure and peace, employment generation etc. It appears from the reading and data that BSL has been working hard towards the environment friendly products development and promotion and energy conservation, while Voltas has been taking host of activities of community development specifically in the areas of health and education. Carrier besides spending a lot on energy conservation and new product development has been donating a huge amount for natural calamities and education. ETA has preferred to work for the ‘building home for the needy ones’ and ‘health and hospital facilities’ in India.
- In spite of the fact that all the four companies are organizing a variety of social events and programmes as well as although the employees and executives themselves are aware about it, the most of them unfortunately failed to answer how much amount has been really donated on such programmes, and no concrete information was available with the executives about the expenditure and planning of expenditure on the social events and executives for all four companies. However only BSL and Voltas executives



showed some of the corporate communication by the top-management which was giving general information about the company's CSR thinking.

- It was pleasing to note that all the companies have given a separate web page for the CSR activities of the company website and have tried to give as much information as they can give and leaving ETA in all the other three companies organization charts clearly define the 'Responsible head' for the CSR activities. However, it appears for all the four companies yet the concept is gradually transmitting from the top leadership level to the bottom level of the organization.
- All the companies have clearly understood the fact of importance of their responsible behavior towards the employees, customers and distribution channels, stake holders like suppliers and shareholders. They are very clear that in the competitive world where opportunities have got generated at large, being unethical to stake holders will result in to the high attrition rates, and manpower turn over which will in turn result negative to their business operations.
- Management of all the four companies have felt the need of the informal interaction with the employee on the non-work platform, mainly joint consultation or personal meeting which is viewed very positively by the employees as they have expressed that many of the simple problem get solved during the informal meetings and consultation, rather than formalizing it in to the board rooms or conferences.

- All the companies seem to be indifferent towards the consumers, all the companies have directly or indirectly responsible heads for the consumers' grievances management. All four companies have a well-equipped service department as well as they are also using innovative tools and techniques for the customer complaints management, like toll free number, internet website, Dealers service club etc. Their executives at large believes that, in the extreme competitive market, they have no-choice of managing customer relationship and ensuring customer delight.
- The executives of the companies largely believed that Government is reacting positive to their CSR efforts, but executives did feel that the government is not giving due cognizance to activities carried out by the companies. A clear dissatisfaction was also visible through the quote of executives and they believe that, the highest degree of unethical practices prevails in Government itself and many a time they only boost the corruption.
- All the companies are satisfactorily discharging their responsibilities towards shareholders. This is also largely to cater their, own business interest.
- Though the community expect the corporate companies to discharge their social responsibility, many a times they over look the problems organizations faces in discharging their social responsibility. It is found that most the executives have commonality in their belief that the 'administrative hurdles' and 'economic hurdles' are the most two occurring hurdles preventing the organization in discharging their social responsibility.

- The executives have felt that the corruption, bribe, prejudicing and bias in employees performance appraisals and spreading false rumors about the competition are the main unfair activities prevails largely in the industry which they would like to get eliminated for the industry and business to be called ethical business or ethical industry.
- Since the executives of the companies are agreeing on existence of unethical business practices, they are of the opinion that 'laying down code of conduct' for the industry is desirable, however it would not only be difficult to implement it, but there is a high probability that people may violate the code of conduct as and when they may want for their business interests. They largely feel that if at all such code is to be implemented it should be implemented by the set of industry executives and a society representative jointly. They have denied intervention of the Government agency in to the implementation at large.
- At present none of the companies are having a social audit in practice except Carrier. This is may be due to the fact that the CSR as a concept has been still evolving in most of the companies and it is at a strategic leadership level and top management level only, however companies do feel that the discharging CSR, needs a professional set up and in future all the companies are in planning of the development of the professional CSR department.
- Though all the companies have faith in the social responsibility of business and accordingly embarked on a variety of social responsibility activities, yet it is a matter of surprise that none of them have any written policy in this

regards, which can measure CSR efforts positively except Carrier – USA. (A group of UTC – USA). Only Carrier global has a written document on CSR targets and achievement for the year to year of last five years (Social Reporting) among the all four companies. For all other companies although management follows it's unwritten social responsibility activities quite effectively, but many a times it has been noted that social responsibility activities are getting confused with companies philanthropy activities

- Executives of all the four companies have a clear perception that the irresponsible behavior of the companies would certainly breed hostility towards them. The dissatisfaction of the society would be certainly bring high rate of man power turn over, stake holder turnover, lower job satisfaction at all the level and negative brand equity. On the contrary they have a clear belief and have experienced the fact that growing along with the society will bring up their brand credibility and equity, and therefore it will be benefiting in to the business.

At large we can say that the executives of the selected companies of air-conditioning industry of India have a clear perception about the need and desirability of the social responsibility and 'socially responsible behavior' instead of the 'only profit maximizing behavior.' Further, they do feel that profit should not be sacrificed for social responsibility beyond a point; however, desired investment should be made in the social causes.

### **6.3 Summary of Commonalities and Differences of CSR Activities and Approaches among the Selected Companies.**

From the analysis of the secondary data collected regarding ‘CSR activities’ of the companies and the CSR approaches of the companies it is found that there are certain social problems which are common concerns for all the companies, and all the companies management executives and top leadership is sensitive towards that issues. Commonality is found in the CSR fund investment for that ‘common’ social cause among the companies. It is also found that based on the CSR evolution and CSR Approaches of the company there are certain dissimilarities too. Enclosed Tables 6.1 and Table 6.2 describes the ‘Commonalities’ and ‘Differences’ of Blue Star Ltd. in it’s CSR Approach and activities with rest of the companies respectively. Table 6.3 describe the ‘Commonalities and Differences’ Voltas Ltd. has with other two companies Carrier and ETA while Table 6.4 describes the ‘Commonalities and Differences’ USA based global giant Carrier has with UAE based global giant ETA in their CSR approach and social activities.

It is interesting to note that ‘Environment Care’ and ‘Energy Preservation’ are found two common social concerns where all the companies have ‘commonality’ in their CSR investments.

**Table 6.1 – Commonalities of BSL with other companies in CSR Perception.**

<b>Commonalities in CSR Activities and Perception of <u>BLUE STAR Ltd.</u> With Other 3 Companies.</b>		
<b>VOLTAS</b>	<b>CARRIER</b>	<b>ETA</b>
<p>(1) Energy conservation and Environment care is a common area of concern.</p> <p>(2) Working for the community through a trust 'Mohan T Advani Foundation as 'Jamshedji Tata' foundation for the employees' welfare and community around the factories.</p> <p>(3) Working for industrial peace through organized bodies.</p> <p>(4) Working with NGOs for discharging CSR funds effectively.</p> <p>(5) Vocational education and health are the other major areas of discharging CSR .</p> <p>(6) Takes due care of the employees and enjoys lower attrition rate.</p> <p>(7) Both the companies leadership has a common thinking of creating 'ethical brand value'.</p> <p>(8) They have 'Karmayog' CSR ratings.</p>	<p>(1) Energy conservation and Environment care is a common area of concern.</p> <p>(2) Both the companies spends huge amount towards the research and development for the environment friendly technology.</p> <p>(3) Working for industrial peace through organized bodies.</p> <p>(4) Have a common thinking regarding employees and believes that they are the foundation of the success.</p> <p>(5) Both the companies have chosen to have 'Brand exclusive' dealership concept over 'multi brand dealers' to achieve higher dealership satisfaction index.</p> <p>(6) Vocational education in engineering and diploma colleges have been the preferred areas for discharging CSR funds.</p>	<p>(1) Energy conservation and Environment care is a common area of concern.</p> <p>(2) They have common thinking regarding community development around their manufacturing plants and discharging CSR funds more in the surrounding areas.</p> <p>(3) Employee development and education are the sectors are found common in their CSR priorities.</p> <p>(4) ETA too is supporting NGOs.</p>

**Table 6.2 – Differences of BSL with other companies in CSR Perception.**

<b>Differences in CSR Activities and Perception of <u>BLUE STAR Ltd.</u> With Other 3 Companies.</b>		
<b>VOLTAS</b>	<b>CARRIER</b>	<b>ETA</b>
<p>(1) Voltas has been continuously investing minimum 2% of their net profit towards the CSR activities, while BSL doesn't follow such investment pattern and creates funds as and when required.</p> <p>(2) BSL supports the nation during the natural calamities like Kargil war, Bhuj earth quake or Mumbai train blast etc. events by creating and donating funds, for Voltas they have structured pattern of CSR fund investments and 'health' and 'hospital' are the different area where they invest.</p> <p>(3) Voltas is in a process of executing dealership network – BSL does involve dealership network in investing towards CSR.</p> <p>(4) BSL has been awarded 1 /5 or 2/5 ratings in last 3 years Karmyog CSR rating ; while Voltas has been considered more socially responsible firm with constant rating of 3/5 during the last three years.</p>	<p>(1) Carrier is the only company having social responsibility reporting practice.</p> <p>(2) Carrier invest it's fund globally and it's CSR funds and activities have got spread over the world.</p> <p>(3) Carrier does have strategic tie up even for CSR – which is a new model of CSR strategy, they are working for constructing 'homes' along with USA largest channel 'Mac Donald's' as a partner organization as a part of their CSR.</p> <p>(4) Carrier has a 'Strategic CSR Approach' over BSL approach of 'Trustee Ship' model.</p>	<p>(1) ETA has been preferring to invest more around 'health' and 'hospitality' as a part of their CSR programme, while BSL has preferred, Education as an important sector.</p> <p>(2) Major investment of CSR has been done by ETA in the origin country UAE and in India at South where there manufacturing plants are located - while in case of BSL it's only in India and major investment towards community development has been made in Western part of the country.</p> <p>(3) ETA does not participate in CSR ratings.</p>

**Table 6.3 – Commonalities and Differences of Voltas with Carrier and ETA in CSR Perception.**

<b>Commonalities in CSR Activities and Perception of Voltas With Carrier and ETA.</b>	
<b>CARRIER</b>	<b>ETA</b>
<p>(1) Energy conservation and Environment care is a common area of concern for both the companies.</p> <p>(2) Both the companies spends towards the research and development for the environment friendly technology.</p> <p>(3) Working for industrial peace through organized bodies.</p> <p>(4) Have a common thinking regarding employees and believes that they are the foundation of the success.</p> <p>(6) Vocational education in engineering and diploma colleges have been the preferred areas for discharging CSR funds.</p> <p>(7) Both the companies have clearly spelled out ‘code of conduct.’</p>	<p>(1) Energy conservation and Environment care is a common area of concern.</p> <p>(2) They have common thinking regarding community development around their manufacturing plants and discharging CSR funds more in the surrounding areas.</p> <p>(3) Employee development and education are the sectors found common in their CSR priorities.</p> <p>(4) ETA too is supporting NGOs and taking their support for discharging CSR.</p>
<b>Differences in CSR Activities and Perception of Voltas With Carrier and ETA.</b>	
<b>CARRIER</b>	<b>ETA</b>
<p>(1) Carrier is the only company having social responsibility reporting practice . Voltas does not have the same.</p> <p>(2) Carrier invest it’s fund globally and it’s CSR funds and activities have got spread over the world- Voltas does it only in India.</p> <p>(3) Carrier does have strategic tie up even for CSR – which is a new model of CSR strategy, they are working for constructing ‘homes’ along with USA largest channel ‘Mac Donald’s’ as a partner organization as a part of their CSR. No other company have such partnership in CSR.</p> <p>(4) Carrier has a ‘Strategic CSR Approach’ over as against Voltas ‘Trustee Ship Approach’</p> <p>(5) Carrier is rated by Dow Jones Index and Voltas have been rated by Karmayog CSR index on their CSR activities.</p>	<p>(1) ETA has been preferring to invest more around ‘health’ and ‘hospitality’ as a part of their CSR programme , while Voltas has preferred, Education and training as an important sector.</p> <p>(2) Major investment of CSR has been done by ETA in the origin country UAE and in India at South where there manufacturing plants are located - while in case of Voltas it’s only in India and major investment towards community development has been made in Western part of the country.</p> <p>(3) ETA does not participate in CSR ratings.</p> <p>(4) Voltas is quite consistent in CSR investment that is 2% of their profits while all other companies including ETA does not follow such structured pattern.</p>

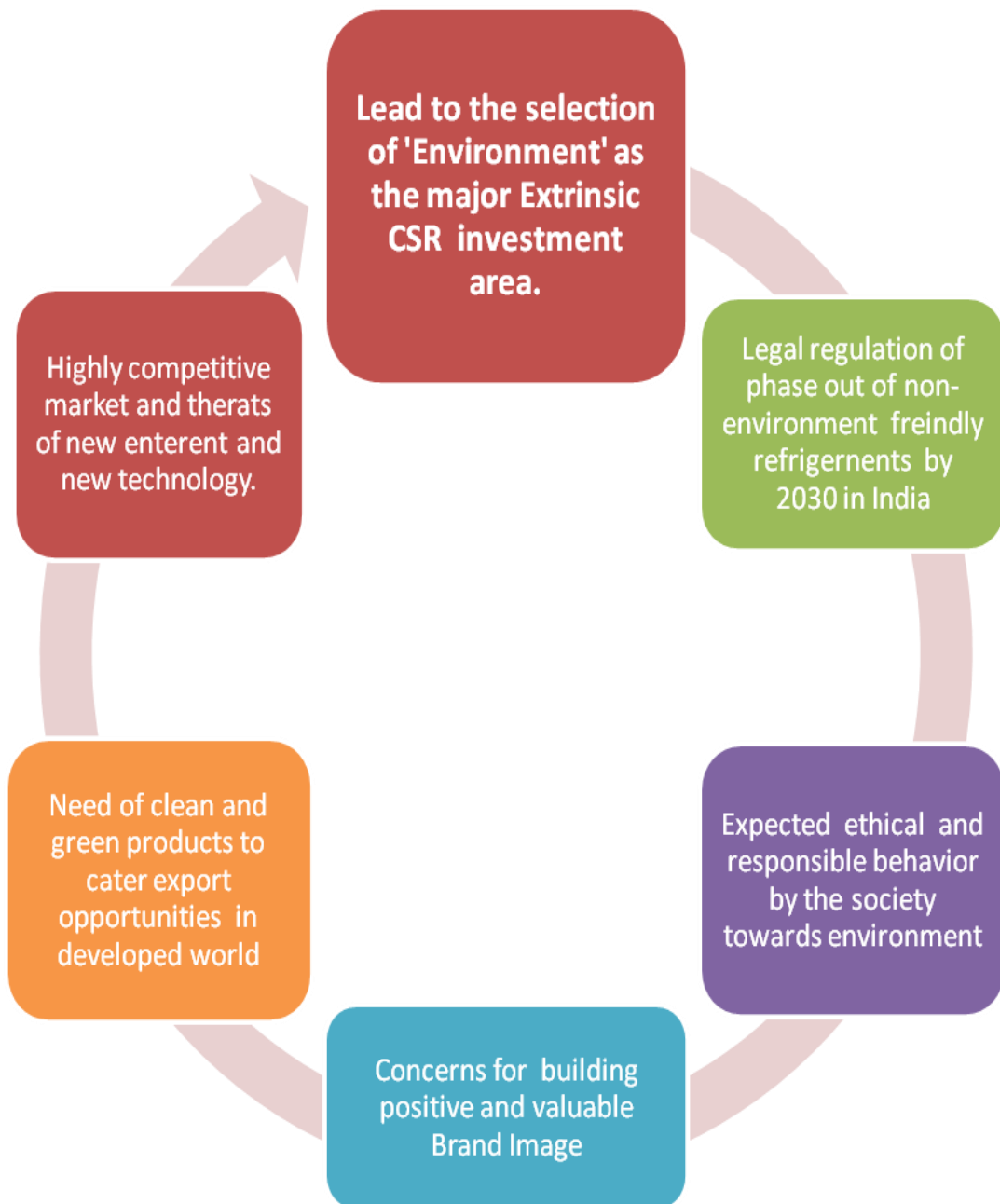


**Table 6.4 – Commonalities and Differences of Carrier with ETA in CSR Perception.**

<b>Commonalities in CSR Activities and Perception of Carrier with ETA.</b>	
<b>CARRIER</b>	<b>ETA</b>
<p>(1) Carrier is the global organization with the headquarter at USA have a presence in almost entire South Asian Market so as their CSR fund investment.</p> <p>(2) Energy conservation and Environment care is a common area of concern for both the companies.</p> <p>(3) Both the companies spends towards the research and development for the environment friendly technology.</p> <p>(4) Carrier invest heavily around the USA out of their CSR funds besides taking care of the global needs.</p> <p>(5) Carrier spends major of it's CSR funds towards the community development and relief work besides health and education.</p>	<p>(1) ETA is the global organization with the headquarter at UAE has a presence in South Asian Market and it's CSR investments.</p> <p>(2) Energy conservation and Environment care is a common area of concern.</p> <p>(3) ETA is also investing a lot on R&amp;D of environment friendly products.</p> <p>(4) ETA also invest heavily out of their major CSR funds in an around their headquarter and country of origin.</p> <p>(5) ETA has preferred community development and health as a major CSR investment sectors.</p>
<b>Differences in CSR Activities and Perception of Carrier with ETA.</b>	
<b>CARRIER</b>	<b>ETA</b>
<p>(1) Carrier is the only the company having social responsibility reporting practice .</p> <p>(2) Carrier has a 'Strategic CSR Approach' over as against Voltas 'Trustee Ship Approach'</p> <p>(3) Carrier does have strategic tie up even for CSR – which is a new model of CSR strategy, they are working for constructing 'homes' along with USA largest channel 'Mac Donald's' as a partner organization as a part of their CSR. No other company has such partnership in CSR.</p> <p>(4) Carrier is rated by Dow Jones Index and Voltas has been rated by Karmayog CSR index on their CSR activities.</p> <p>(5) Carrier has chosen education and community development as their major CSR investment areas.</p>	<p>(1) ETA does not have social reporting practice.</p> <p>(2) ETA follows more an 'Accountability Approach' of CSR investments than strategic concept.</p> <p>(3) ETA is not having such strategic alliances with any organization other than their own group of companies for such project.</p> <p>(4) ETA does not participate in CSR ratings.</p> <p>(5) Major investment area CSR has been medical facility health and hospitals for ETA and Home for homeless.</p>

#### **6.4 ‘Major Forces’ Affecting in Commonality of Adopting Environment as CSR Approach for the Selected Companies .**

It has been found during the exploratory study in the present research that the ‘commonality’ among all the company in their extrinsic CSR approach is the *‘High Degree of Concerns for the Environment.’* Major reasons identified during the study has been represented as ‘Five Forces’ model affecting the CSR approaches of HVAC industry in Diagram 6.1



***Diagram 6.1 : 'Major Forces' affecting the Air-Conditioning Industry companies to select the 'Environment' as the prime area of Extrinsic CSR investment.***

Briefly the Major Forces have been explained as follows :

### **1. Legal Responsibility :**

The dead line for the phase out of the non-environment friendly refrigerants is 2020 for the production of the gases and 2030 for the servicing of the equipment with the refrigerants for the developing nations. However the global companies in the need of developing their brand as green brand as well as to earn 'Carbon Credits' are concerned about the use of non-environment friendly refrigerants. Both, competitive market pressure and legal responsibility putting air-conditioning industry companies in India to change and develop new environment friendly products.

### **2. Social Pressure of Ethical Behavior :**

Growing awareness about the 'environment preservation' and expected Socially Responsible behavior from the corporate developing lots of pressure on the Air-Conditioning industry in India to develop and promote 'Green Products' and to behave socially responsible by promoting only non-harmful products.

### **3. Ethical Brand Image :**

As per the empirical research support it has been identified that 'Ethical Brands enjoys high equity' and 'credibility'. It is the utmost important need and emerging marketing concept of developing 'Ethical Brand Image' in the mind of the customer base and the society. Corporate are working hard towards being reputed through 'Ethical Values'. Air-conditioning Industry players are no different in the competitive world, and attempting towards building the high brand value through ethical leadership.

#### **4. Emerging Export Opportunities :**

Due to the many natural resources and reasons like adequate skilled and unskilled human resources, very highly growing domestic market, easy availability of raw material, Investment friendly Government policies, low cost of production in comparison of the many developed nations etc. India is being manufacturing hub for the Air-conditioning industry players followed by China and Korea. Many national, multinational and global players have set up their manufacturing plants in India for catering need of growing South Asian markets and export of the products to the western world. However exports need to follow the 'environmental standards' and global green product quality standards. To explore the global opportunities companies have no-choice of developing globally acceptable products.

#### **5. Threat of Development of Technology by Competitors :**

Global players of the HVAC industry, are expanding their base in to the Indian market and trying to develop and bring the environment friendly technology, (Like Daikin and Hitachi from Japan, York from USA , LG and Samsung Technologies from Korea) which is a need of an hour, national and multinational players of the country has been under pressure to handle these competitive pressures.

#### **6.5 Concerns for CSR Vs. Profit Matrix for HVAC Industry Companies.**

The analysis of the recorded information of the secondary data collected for the study from the air-conditioning industry as well as analysis of the primary data collected eventually leads to measure the executives and management attitude towards CSR. The findings have been presented as a matrix model "Concerns for CSR Vs. Profit Matrix" as shown in the diagram 6.2 below.

**Diagram 6.2 Concerns for CSR Vs. Profit Matrix for HVAC Industry Companies.**

Concerns For CSR and Ethics	Low ( 0,0)		High (10,0)		(0,10) High	
	<b>Quadrant – III (0,10)</b> It reveals from the present study that, it is perceived strongly that only a concerns towards the social cause and extra moral behavior at a cost of concerns for profit in today's business environment where corruption is at it's peak, may lead to down turn in the business and may not be possible for the management to convince stake holders. This may lower the returns to the share holders' funds. Which will be nothing but negative intrinsic CSR.		<b>Quadrant – IV (10,10)</b> It appears the dream quadrant, but management executives and leaders of air-conditioning industry companies have a clear perception that, their high concerns for the social causes and socially responsible products and behavior will generate high brand equity and CSR equity for them. For survival and to ensure a longer term profitability, they will have to built a sustainable strategic decisions, where they can not ignore importance of CSR approaches and responsible behavior.			
	It is an ideal situation and from the study it appears that it is practically impossible to operate business in such quadrant.		Companies are largely investing in developing R&D of environment friendly solutions is an example of it.			
	<b>Quadrant (5,5)</b> <i>Gradually Air-conditioning industry companies are trying to shift themselves from the High Profit concerns and Low CSR concerns to – "Equal importance" stage. They have started investing heavily in R&amp;D for creation of environmental friendly products and processes, have also started investing in 'People', 'Stake holders' and the 'Society' at large to earn 'CSR Equity'.</i>					(5,5)
	<b>Quadrant – I (0,0)</b> The sole purpose of the business is to earn profit and it is believed that even earning profit is a corporate social responsibility. Organizations neither concerned for society nor for it's business may not survive at longer run.		<b>Quadrant – II (10,0)</b> Though most of the corporate companies operates in this quadrant, with an increase in acceptability and awareness of socially responsible products and processes world wide most of the developed organization has started adopting CSR as central strategic concept and they have started giving equal importance to CSR as what it is to financial performance. In a changing world it is believed by the HVAC industry executives that companies will have to be equally responsible towards the society instead only focusing on profits.			Low (0,0)
Concerns for Profit and Business						

The diagram 6.2 present an interesting ‘Matrix’ situation between ‘Concerns for Ethics’ and ‘Concern for Profit’ where Y-axis is representing ‘Concern for Ethical and Moral Behavior’ and X-axis represents ‘Concerns for Profit’ – we get four important quadrants on a scale of 0 to 10.

As shown in the ‘Quadrant Matrix’ study leads to draw a conclusion that the recommended approach for the industry should be near about ‘Central (5,5) approach for the ‘Profit and Social Responsibility’ or the equal balance approach. Any extremes are not advisable for the business or the society. Only Profit at a cost of social concerns and cause may be harmful to the organization in the longer run as well as ‘Only Social Responsible activities’ at a cost of profit is not desirable for the business. ‘Higher Profit and ‘Higher Responsibility’ is an ‘ideal’ or a dream situation which may exist only after certain period of time. Diagram 6.2 attempts to explain the above fact with the mathematical approach.

It is an important strategic decision for the companies and their management, to decide on , the concerns like Doing CSR or Not doing CSR ; Priority between Profit or Society and a Social cause? Etc. Should profit be a priority even at a cost of ethical behavior? Or Ethical behavior is a priority at a cost of profit?

### **Quadrant I, Stage (0,0)**

This stage is a situation of “Low concerns for Ethical behavior and Low concerns for Profit” , It’s the situation where companies generally do not operate, since ultimate purpose of the business normally used to be either to earn the ‘Profit’ or to earn the ‘Social -Values’. All the companies selected for the study are ‘Public Limited’ companies with a stated objective of ‘Earning Profit’ and they are professional organizations can not afford to operate in this quadrant since this particular quadrant violets the purpose of the business.

### **Quadrant II, Stage (10,0)**

This is the stage of ‘High Concerns for Profit and Low concerns for Society and Ethical Behavior’. This is the state at which most of the selected companies at present operates selected for the study. The companies have started understanding the concept of CSR and it’s strategic importance post 1990 gradually. It is important to note that all the companies selected for the study are doing CSR and broadly all the companies executives have largely accepted that CSR is desirable or highly desirable and it is not only benefiting the society and the business alone but it does help the companies in it’s brand building and in turn also results in to the sustainable profitability but so far their primary focus is to earn and maximize the profit from operations.

### **Quadrant III, (0,10)**

This is the stage of ‘High Concerns for Ethical and Moral’ standards and ‘Low Concerns for the Profit’. At large it has been observed that executives are of the belief that air-conditioning industry is highly competitive and over 10 players are competing in the market almost in every segment of the product. All the companies are registered companies with ‘equity’ of the ‘share holders’ fund’. Under this given situation ‘Profit’ is the ultimate purpose of the business and it is almost impossible to behave completely ‘ethical’ as stated by many of the executives. Corruption in a given circumstances put pressure on the business companies many a times to prioritize on ‘Profit’ over ‘Ethical’ or ‘Moral’ behavior. The main hurdles what executives thinks under the situations are , ‘economic hurdle’ of achieving their sales and business targets and ‘administrative hurdles’ mainly due to the business pressures.

### **Quadrant IV (10,10)**

‘High Concern for Profit and High Concern for Society; is the situation which is very difficult to achieve and executives at large believes that it can happen only after a long time and continuous ‘sustainable development’ efforts and building and implementing strategies for the same. It’s an



ideal situation at present for the air-conditioning industry companies since the competitive pressures are at its extreme, where all the companies and executives feel that it is very difficult to manage for the corporate to achieve where they earn high profit with highly moral or ethical behavior. Although it is sustainable most of the time short term business target pressures do not advise them to behave completely ethical to achieve their profit targets. They also quoted recent examples of the corruption cases to explain the business environment in India. However executives at large are optimistic, that with a growing concern and awareness about social responsibility of the corporate the 'day' will come soon where business companies with a high moral and ethical behavior will sustain longer and not only that 'for earning high profit and sustaining the same' a companies will have to adopt 'Sustainable development' concept in their strategy formulations.

### **Balance quadrant (5,5)**

It is clear from the study that selected companies from air-conditioning industry in the present state, trying to shift them up and operate in Quadrant (5,5) gradually understanding the 'equal need of CSR and Profit' stage. They are trying to move from the Quadrant II, 'Low CSR – High Profit' focus gradually to 'Equal' importance and the same approach has been recommended. Companies are found to be investing heavily towards the Research and Development for creating environmental friendly technology, they are investing a huge behind stake holders like employees, dealers and vendors and also towards the 'surrounding society' shows their concerns of moving towards the 'equal importance' stage.

### **6.6 Suggestions**

In analyzing data researcher have presented his informed view regarding the problems that confront the business today and the conflicts they have to live with. Many of the business practices force them to lower down their ethical standards. Being out of the business fray, perhaps at times. Besides

being idealistic in his own views researcher has also tried to keep practical realities in mind. Researcher personally feel that some of these ideas deserve to be put in to the action to their feasibility. The subsets of following important suggestions have been made for the organizations which might be useful for them to implement.

### **(1) Formulation of Definite Social Responsibility Policies for Social Role of Business.**

While answering the Question No. 8, regarding the place of CSR in the over all organization stature and Question No. 25 regarding the existence of social responsibility policy in the organization most of the executives of the companies were unclear , which directs to conclude that , though all the companies are concerned about the socially responsible behavior and their social role, as well as run many social responsibility programmes , they are not having professional approach in planning and recording the same, in terms of the Social policy except Carrier . ( It is important to note that in the case of Carrier also Carrier India Pvt. Ltd., has quite unclear role on the same.) As a result, their social responsibility programmes depends only on the will of the promoters. Quite often it is seen that employees still have a feeling that the CSR is all about ‘Charitable activities have done by the company’ and do not have clear knowledge about the same.

Therefore, it is a need of the hour that business companies develop definite social responsibility policies and communicates and implements it with an equal importance of business strategies. It is advisable to have a proper CSR division for these activities, if it is not possible than at least a ‘matrix structure’ should be created consisting a team from Human Resource department, Marketing Department and Production Department.

### **(2) Creation of Funds for Social Responsibility Programmes.**

From the study of investment pattern towards CSR through Karmayog CSR ratings it has been found that the companies do not have CSR investment policies, specifically, in the case of BSL and ETA. It is noteworthy that Voltas has been contributing 2% of the profit to social responsibility funds, leaving

Voltas for the rest other companies it is suggested to have definite investment policies for CSR funds. It's important the global players like Carrier and ETA divert the CSR funds to the countries like India sufficiently to their market share of developing countries like India and China.

### **(3) Social Audit and CSR Communication.**

Though all the companies have been pursuing a wide range of CSR activities especially in the area of 'energy preservation' and 'environment protection' very few of their efforts are known to the people of the country. Yet it is a matter of the social audit which is a powerful tool to assess the corporations' social role. In this context the remarks of Baumhart deserve attention :

“Just as businessman subject themselves to audit of their accounts by an independent public account firm, they might also subject themselves to periodic examination by independent outside experts who would evaluate the performance of the business from social point of view. The social auditors would make an independent and disinterested appraisal of companies' policies and CSR approaches. They would then submit their report to the management with evaluation and recommendations.”

It has been found that many of the executives of all the four companies were unclear about many dimensions of the companies CSR initiatives as well as the important questions like Who looks after their CSR programmes? It is indeed needed for the companies to have proper internal and external CSR communication, which will help them to make their employees and stake holders better aware about their initiatives as well as it will also be useful for the society. It is utmost important the companies follow global standard and can use their CSR activities by way of organizing and planning the efforts positively in the brand building of the company, for that companies will need to allocate managerial resources and professional social audit practices.

### **(4) Encourage Research in the Field of CSR and Marketing Communication.**

To work effectively in an uncharted area it is very much necessary on the part of the companies to undertake research in the various areas of CSR and it's linkage with marketing communication. It

will enable them to decipher the dynamics of the growing unethical behavior of the corporation vis-à-vis the attitude of the executives who are supposed to indulge in such activities at the instance of the management. It is a matter of utter surprise that scanty literature exists on the social responsibility attitudes of Indian companies where as western management journals are flooded with scores of researches in this context.

Research and development in this area would bring to light many hidden facts, and enable the house to do the work in a more beautiful manner.

#### **(5) Encouragement and Education in the field of CSR.**

During the survey and research it has been found that, due to technical nature of the business most of the executives of the companies were technically qualified. They have high degree of hunger of learning and developing themselves in to the emerging concept of CSR. They also want to contribute as much as possible for the society. It is indeed necessary such a highly talented manpower force get an opportunity of learning and development about the CSR and their talent can rightly be utilized for companies CSR approaches. It was noteworthy that BSL and Voltas have started taking initiative of joining executives and employees for the noble cause of CSR and have started collecting the efforts of each employee towards the CSR activities of the company.

On account of the ethical behavior of the individual employee, it is believed that if executives are concerned as they profess to be, must make an attempt to constantly clarify their thinking with regard to the ethical standards of the business, be it by discussion or ready to exchange information, to help to build a positive approach to the place of ethics in their business lives. This calls for periodic self evaluation and consideration of priorities. No doubt, the society and the legislation have a definite role to play, yet the feeling of social responsibility can not be injected in the business. It will have to realize that it is required to be carried in the greater interest of the society only through the 'Self education'. – If each man swept his own door, world would be automatically clean.

Therefore, it is up to the management of the companies to encourage this belief so that it can gain momentum through training and development process.

### **6.7 Scope of Future Research.**

Although a great deal of useful information on various aspects of social responsibility have already been gathered in the past research efforts, still there are myriads of gaps, which call for an urgent probe into various dimensions of the issue. Therefore, for further investigations it is desirable to take an account the various factors that influence the corporate social behavior, for instance, the age of organization, the nature of the enterprise ownership, the extent of the competition, the type of industry, and the impact of changing phases on business environment. Also the factors like professionalism of management, background of managerial elite and their value system. Organizational climate needs to be probed for understanding the dynamics of corporate social responsibility.

An unbiased picture of the social responsibility behavior of the enterprise can be effectively assessed from the study of perception of attitude of competitors, community and the Government. Though, it is rather an uphill task to unveil their perception, but if probed thoughtfully and scientifically, it will give clearer results.

The needs noted above seem particularly pressing and therefore, deserve special mention. It is hoped that the present work by summarizing the existing knowledge and present research activities will stimulate more studies in this area to promote the work in the field. A host of hypothesis that have emerged from the exploratory study have been suggested, a few of which are given below:

1. The financial soundness of the organization is positively correlated with its socially responsible behavior.
2. Long term organizational prosperity is contingent on its socially responsible behavior.
3. There is a positive linking of the society towards socially responsible organization.
4. There is a sizeable contribution of unethical business practices for enterprises survival.
5. The non conventional areas of social responsibility are more important for people than the conventional ones.
6. There is little competition amongst the organizations in relation to social responsibility activities.
7. The professionally managed organizations are more prone to social responsibility activities.

**Study on Code of Conduct:**

From the current study it reveals that the 'Code of Conduct' is very important Governance practice and, it is the utmost important to study the CSR approach of the companies towards the code of conduct in the same industry as well as related industries. Further studies could be carried out in the area of HVAC industry and code of conduct which may answer following important questions like:

1. Whether there is any policy of 'Code of Conduct' for the Industry? If yes, than on what common critical issues the industry have?
2. If the Code of conduct for the Industry is in practice as a part of Governance practice, whether it is practiced effectively or not?
3. What are the implementing and controlling authorities and practices for the Industry Code of Conduct?

4. Whether the 'Code of Conduct' has been implemented out of the Top Management or leadership belief of the industry leaders alone or it is really found needed by the executives of all the management levels of the organization.

The study regarding code of conduct as a part of CSR approach can be extended as a future scope of research, to the HVAC industry as well as other industries also. A comparative study of the various industry is a large area of scope of research emerged out of the present work.

It is hoped that afore cited hypothesis will enable researchers to carry out their study on scientific lines, thereby further clarifying many delicate aspects of the problem.

**Copy of a Questionnaire - Appendix - I**

**Dear Madam / Sir :**

I am pursuing Ph.D studies from The M.S. University of Baroda, Vadodara. My topic of the research study is

***“ APPROACHES TO CORPORATE SOCIAL RESPONSIBILITY OF SELECTED COMPANIES OF AIRCONDITIONING INDUSTRY IN INDIA”***

In my research work, your response will add resourceful insight and your valuable input will help in the research. I request you to give your valuable insight by filling up the enclosed questionnaire.

I do assure you the, response will be strictly confidential and will be used for the academic research only and I will be pleased to submit you the findings of the research work.

I once again request for your co-operation and your valuable time.

Thanking You,

Kedar Shukla  
Vadodara  
Mobile No : 09824989375  
Email : kedars1111@rediffmail.com



## PERSONAL DATA

1. Name ( Optional) :

2. State name of your organization. :

Note: Tick against the option applicable to you.

3. Sex. : Male ( ) Female ( )

4. Age Group : 21 to 25 ( ) 26 to 30 ( )  
31 to 35 ( ) 36 to 40 ( )  
41 to 45 ( ) 46 to 50 ( )  
51 to 55 ( ) 56 + ( )

5. Educational Qualification : Graduate ( )  
Post Graduate ( )  
Professional  
B.E. ( ) CA ( )  
MBA ( ) ICWA ( )  
L.L.B. ( ) CS ( )

6. Place where educated : India ( ) Abroad ( )

7. Type of family from which you  
Hailed : Joint ( ) Nuclear ( )

8. Level of Management at  
Which you are working : Top ( ) Upper Middle ( ) Middle ( )

9. Area of Working : Finance ( ) Marketing ( )  
Technical ( ) Purchase ( )  
Personal ( ) Public Relations  
Computers ( ) Others (Specify) ( )

10. Income Group : Rs.2 Lac to Rs. 3.0 Lac P.A. ( )  
Rs.3 Lac to Rs. 5.0 Lac P.A. ( )  
Rs.5 Lac to Rs. 8.0 Lac P.A. ( )  
Rs.8 Lac to Rs. 12.0 Lac P.A. ( )  
Rs.12 Lac > P.A. ( )

11. For how long you have been : 1 to 2 Years ( ) 3 to 5 Years ( )  
In the present job ? 5 to 7 Years ( ) 10 + Years ( )

12. Perks Available : Car ( )  
Chauffeur driven car ( )  
Free Furnished House ( )  
Family Insurance ( )  
Club Membership ( )  
Unlimited medical Reimbursement ( )  
Others  
(1) \_\_\_\_\_  
(2) \_\_\_\_\_  
(3) \_\_\_\_\_  
(4) \_\_\_\_\_

Q.1 Do you feel that the social responsibility is desirable for the business ? (Check One)

- |                 |        |                          |        |
|-----------------|--------|--------------------------|--------|
| (a) Desirable   | (    ) | (b) Very Much Desirable  | (    ) |
| (c) Indifferent | (    ) | (d) Not at all desirable | (    ) |

Q.2 If answer to Q.1 is affirmative (i.e. a or b) then state the reasons.  
(ranking them 1,2,3) :

- |  |        |
|--|--------|
| (a) It is in the interest of the business. | (    ) |
| (b) It is in the interest of the company   | (    ) |
| (c) It is in the interest of the mankind   | (    ) |

Q.3 If answer to Q.1 is negative ( i.e. c or d ) state the reasons :

- |                                     |        |
|-------------------------------------|--------|
| (a) It is unproductive expenditure. | (    ) |
| (b) Industry cannot afford it.      | (    ) |
| (c) Environment does not demand it. | (    ) |

Q.4 Given below are a few statement please state them with 1,2,3 in the order of preference in the box provided.

**A.**

1. In business what is good for the us is good for our country ( )
2. Organizational activities must centered around profit maximization ( )
3. Money and wealth are the most important for our organization ( )
4. Let the buyer beware (Caveat emptor) ( )
5. Labour is a commodity To be bought and sold. ( )
6. Accountability of Management is to the owners only ( )

**B.**

- What is good for our organization is good for our country. ( )
- Profit maximization should not result in exploitation. Exploitation leads to hostility towards organization & jeopardizes the organization. ( )
- Money is important but so are people as they help in organizational productivity. ( )
- Let us not cheat the customer. This may not pay in the long run. ( )
- Labour has certain rights which must be recognized otherwise union pressures are inevitable ( )
- Accountability of management is to owners, customers, employees, supplier and to other contributors only. ( )

**C**

- What is good for the society is essentially good for our company. ( )
- Profit are necessary but only after meeting other obligations. ( )
- People are more important than money. Thus obligation goals must center around people.( )
- Let the seller be sensitive about the needs of the society. ( )
- Employee dignity must be satisfied. ( )
- Accountability of managers is equally to the owners, contributors and society. ( )

**A.**

7. Technology is very important and must occupy the foremost place in decision making. ( )

**B.**

Technology is important but so are the people, because people help in technological efficiency. ( )

**C**

People are more important than technology and hence technology should be modified and changed to meet the requirements of people.  
( )

**A.**

8. Employee must leave personal problem at home. Organization is meant to solve only corporate problems.

( )

9. Managers have a right to manage. We will manage our business as we please. ( )

10. Sons of soil policy in employment should not get any preference. Let Ggovt. be concerned about it. ( )

11. Government is best which governs the least. ( )

12. Subordinates are incapable of contributing to the new ideas towards profit maximization. Involving them is nothing but wasting the time of the organization. ( )

**B.**

We recognize that employees have motives beyond their economic needs. For organizational efficiency there needs must be recognized.

( )

We recognized the value of group participation because it helps in organizational efficiency. ( )

Sons of soil policy in employment should get some preference to avoid trouble. ( )

Government is a necessary evil. ( )

Subordinates opinion should be considered because it may lead to some profitable ideas. ( )

**C**

We hire the whole man, hence we must concern ourselves with his social needs.

( )

Group participation is fundamental for meeting social and psychological needs of employees. Besides it contributes to organization success. ( )

Sons of soil policy in employment must get preference.

Business & Government must co-operate to solve society's problems. ( )

Good ideas normally flow from subordinates. They must be involved in decision making. ( )

**A.**

**13.** The natural environment takes care of the ecological problems. Hence we need not bother about it. ( )

**14.** Business is not meant for the preservation of aesthetic values. ( )

**B.**

We should not control & manipulate the environment to suit the corporate objectives. ( )

Aesthetic values are O.K. but not for the business . They do not contribute to the business directly. ( )

**C**

We must preserve the environment in order to lead better quality of life. ( )

We must preserve our aesthetic values & must play a positive role in preserving aesthetic values. ( )

Q.5 In your view which are the important publicis with respect to social responsibility of business? ( Tick which you feel are desirable.)

- |                      |     |                 |     |
|----------------------|-----|-----------------|-----|
| (a) Customers        | ( ) | (b) Community   | ( ) |
| (c) Government       | ( ) | (d) Employees   | ( ) |
| (e) Shareholders     | ( ) | (f) Competitors | ( ) |
| (g) All of the above | ( ) |                 |     |

Q.6 Is there any specific policy formed by your organization with regard to social responsibility ?

- |                |     |                 |     |
|----------------|-----|-----------------|-----|
| (a) Yes        | ( ) | (b) No          | ( ) |
| (c) Don't know | ( ) | (d) No response | ( ) |

Q.7 Which programmes do you carry out for the betterment of the community ?

- |   | <b>Regularly</b> | <b>Frequently</b> | <b>Sometimes</b> | <b>Never</b> |
|---|------------------|-------------------|------------------|--------------|
| (a) Environmental Protection.                                 | ( )              | ( )               | ( )              | ( )          |
| (b) Urban renewal.  | ( )              | ( )               | ( )              | ( )          |
| (c) Rural Development   | ( )              | ( )               | ( )              | ( )          |
| (d) Educational Aids.   | ( )              | ( )               | ( )              | ( )          |
| (e) Charity for building hospital.                            | ( )              | ( )               | ( )              | ( )          |
| (f) Healthy atmosphere for Industrial peace.                  | ( )              | ( )               | ( )              | ( )          |
| (g) Dynamic infrastructural facilities                        | ( )              | ( )               | ( )              | ( )          |
| (h) Efficient use of energy And natural resources.            | ( )              | ( )               | ( )              | ( )          |
| (i) Better transport , communication And distribution system. | ( )              | ( )               | ( )              | ( )          |
| (j) Instituting programmes for hiring the unemployed.         | ( )              | ( )               | ( )              | ( )          |

Q.8 Who looks after the social responsibility in your organization ?

- |                     |     |                            |     |
|---------------------|-----|----------------------------|-----|
| (a) General Manager | ( ) | (b) Administration Manager | ( ) |
|---------------------|-----|----------------------------|-----|



- (c) Corporate Planning ( ) (d) Personnel Manager ( )  
 manager (e) Public relations manager ( )  
 (f ) Public Relations Manager ( ) (g) Separate CSR department ( )

Q.9 Do you have any provision for consumer grievance management ?

- (a) Consumer advisory council ( )  
 (b) Separate department for grievance management ( )  
 (c) Separate public relation department for ( )  
 grievance handling.  
 (d) Separate personnel department ( )  
 (e) General administrative department ( )

Q.10 Do you feel that consumers' associations are necessary ?

- (a) Yes ( ) (b) No ( )

Q.11 Given below are the few statements about the CONSUMER'S ASSOCIATION

Please indicate whether you agree or disagree with the given statements.

- |  | <b>Agree</b> | <b>Disagree</b> |
|--|--------------|-----------------|
| (a) It makes management quality conscious.             | ( )          | ( )             |
| (b) It refrains management from over pricing.          | ( )          | ( )             |
| (c) It restricts management from adulteration.         | ( )          | ( )             |
| (d) It alters management to provide better services.   | ( )          | ( )             |
| (e) It keeps management informed about consumer's need | ( )          | ( )             |
| (f) It brings unwanted tension to management           | ( )          | ( )             |
| (g) It disturbs the company management                 | ( )          | ( )             |
| (h) It is hostile towards the management               | ( )          | ( )             |

Q.12 What facilities do you provide to the employees ?

- (a) Trainings ( ) (b) Cheap Houses ( )  
 (c) Education ( ) (d) Leisure and Amenities ( )  
 (e) Healthy living conditions ( ) (f) Profit sharing ( )  
 (g) Entertainment ( ) (h) Efficient system of ( )  
 Communication.

Q.13 Do you recognize the following rights of the employees ?

	Yes	No
(a) Fair wage and Salary.	( )	( )
(b) Membership of trade unions.	( )	( )
(c) Participating in decision making in matters affecting their working life.	( )	( )
(d) Collective Bargaining.	( )	( )
(e) Right to strike	( )	( )

Q.14 How frequently do you interact with an employees on a non-work platform?

(a) Regularly	( )	(b) Frequently	( )
(c) Sometimes	( )	(d) Never	( )

Q.15 If so, what are the common methods of communication with employees ?

(a) Joint consultation	( )	(b) Informal meeting	( )
(c) Issue of company book	( )	(d) Suggestion box	( )
(e) Dissemination of information through notice board			( )

Q.16 To what extent do you fulfill your responsibility to share holders under the following circumstances ?

Circumstances	Always	Sometimes	Rarely	Never
(a) A fair & reasonable return.	( )	( )	( )	( )
(b) Profit sharing & bonus Sharing schemes.	( )	( )	( )	( )
(c) Political & Economic security For investors	( )	( )	( )	( )
(d) Knowledge regarding working Of an enterprise.	( )	( )	( )	( )
(e) Periodical progress report to satisfy shareholders that their capital is faithfully and usefully employed.	( )	( )	( )	( )

Q.17 To what extent have you been able to fulfill your responsibility with respect to following statements ?

<b>Circumstances</b>	<b>Always</b>	<b>Sometimes</b>	<b>Rarely</b>	<b>Never</b>
(a) Abiding the law.	( )	( )	( )	( )
(b) Payment of taxes, duties regularly.	( )	( )	( )	( )
(c) Not corrupting public servants. and democratic process for selfish ends.	( )	( )	( )	( )
(d) Not adopting unfair means to acquire political support	( )	( )	( )	( )
(e) Aspire for the national growth by making reasonable scarifies on occasion of national/natural calamities.	( )	( )	( )	( )
(f) Participating in public life and helping to make fair policies and fair legislation.	( )	( )	( )	( )

Q.18 What is a reaction of Government to your social responsibility activities?

(a) Positive	( )	(b) Negative	( )
(c) Just appreciative	( )	(d) Indifferent	( )
(e) No response	( )		

Q.19 Do you feel that your company is conducting business in an ethical manner?

(a) Always	( )	(b) Sometimes	( )
(c) Frequently	( )	(d) Never	( )

Q.20 If you think that one can not frequently run the business by ethical means, what are reasons? (Rank in order of 5,4,3,2,1)

- (a) Political hurdles ( ) (b) Organizational hurdles ( )
- (c) Emotional hurdles ( ) (d) Economic hurdles ( )
- (e) Administrative hurdle ( )

Q.21 The unethical practices, you would most like to see it eliminated from the organization or the industry.

- (a) Gifts, Bribes , Gratuities. ( )
- (b) Price discrimination, unfair pricing by yourself and competitors, undercutting, price rigging etc. ( )
- (c) Dishonest advertising. ( )
- (d) Dishonesty in making or keeping contract, unfair credit practices, controlling the supply of particular goods. ( )
- (e) Unfairness to employees, keeping prejudicial attitude and favoritism ( )
- (f) Spreading false rumors regarding competitors business or goods. ( )
- (g) Using undue financial and political pressure. ( )
- (h) Creating labour or material trouble for competitors. ( )

Q.22 What do executives expect from the industry's codes of conduct?

Possible Consequences	Fully agree	Agree	Neutral	Disagree	Totally disagree
(a) Code of conduct would rise the ethical level of industry( )	( )	( )	( )	( )	( )
(b) The code would be easy to enforce. ( )	( )	( )	( )	( )	( )
(c) The code would protect Inefficient firms and retard the dynamic growth of industry. ( )	( )	( )	( )	( )	( )
(d) The code would help executives by defining clearly the limits of acceptance conduct. ( )	( )	( )	( )	( )	( )
(e) People would violate the code Whenever they thought they could avoid detection.( )	( )	( )	( )	( )	( )

Q.23 Assume that an ethical practices code has been drawn up for your industry which of the following groups would you choose to enforce the code?

(a) The management of each company (i.e. self enforcement)	( )
(b) A group of executives selected from various companies.	( )
(c) A group composed of executives from the industry plus other members of the community.	( )
(d) A Government agency.	( )

Q.24 How would you react if a group of experience executives in your industry tried to draw up ethical code?

(a) Favour strongly ( )	(b) Favor somewhat ( )
(c) Neutral ( )	(d) Oppose somewhat ( )
(e) Oppose strongly ( )	

Q.25 Do you have a social audit system ? or Social Reporting report ?

(a) Yes ( ) (b) No ( )

Q.26 What is your opinion about social responsibility programmes of your organization ?

Thank you for your co-operation

## Appendix – II

SPSS Out put Cronbach Alpha With respect to Calculative Responsibility Behaviour.)

### Cronbach Alpha Calculations

( Detailed Calculation)

(a) Cronbach Alpha With respect to Calculative Responsibility Behavior.)

Case Processing Summary			
		N	%
Cases	Valid	27	100.0
	Excluded <sup>a</sup>	0	.0
	Total	27	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
	Cronbach's Alpha Based on	
Cronbach's Alpha	Standardized Items	N of Items
.696	.707	14

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
VAR00001	149.8148	241.311	.447	.	.664
VAR00002	150.1852	237.464	.445	.	.663
VAR00003	150.7407	235.969	.383	.	.670
VAR00004	150.1852	283.618	-.120	.	.739
VAR00005	149.2593	253.276	.257	.	.687
VAR00006	149.6296	253.704	.264	.	.686
VAR00007	148.8889	248.718	.314	.	.680
VAR00008	149.2593	234.046	.516	.	.654
VAR00009	149.2593	234.046	.516	.	.654
VAR00010	149.2593	234.046	.516	.	.654
VAR00011	152.4074	243.020	.341	.	.676
VAR00012	148.8889	242.949	.322	.	.679
VAR00013	150.9259	253.917	.249	.	.688
VAR00014	150.5556	267.949	.052	.	.714



### Appendix – III

SPSS output Cronbach Alpha With respect to Socially Responsible Behavior.)

#### Cronbach Alpha Calculations

( Detailed Calculation)

(b) Cronbach Alpha With respect to Socially Responsible Behavior.)

**Scale: ALL VARIABLES**

#### Case Processing Summary

		N	%
Cases	Valid	27	100.0
	Excluded <sup>a</sup>	0	.0
	Total	27	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.697	.704	14

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
VAR00001	155.0000	444.231	.279	.705	.685
VAR00002	154.8148	435.541	.336	.557	.677
VAR00003	154.0741	423.148	.537	.689	.654
VAR00004	156.1111	404.487	.470	.433	.656
VAR00005	155.9259	403.917	.547	.477	.646
VAR00006	155.3704	401.781	.536	.677	.647
VAR00007	155.3704	457.550	.261	.729	.687
VAR00008	155.1852	422.080	.480	.659	.659
VAR00009	153.8889	444.872	.368	.715	.675
VAR00010	159.4444	523.718	-.203	.422	.749
VAR00011	156.2963	426.140	.268	.568	.691
VAR00012	155.1852	464.387	.243	.412	.688
VAR00013	153.3333	465.385	.358	.683	.681
VAR00014	153.8889	491.026	.031	.464	.709

## Appendix – IV

SPSS Output Cronbach Alpha With respect to Profit Maximizing Behavior.)

### Cronbach Alpha Calculations

( Detailed Calculation)

(b) Cronbach Alpha With respect to Profit Maximizing Behavior.)

#### Case Processing Summary

		N	%
Cases	Valid	27	100.0
	Excluded <sup>a</sup>	0	.0
	Total	27	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.539	.600	14

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
VAR00001	175.5556	214.103	.152	.497	.531
VAR00002	175.7407	205.199	.249	.654	.510
VAR00003	175.1852	210.541	.408	.684	.496
VAR00004	176.2963	203.063	.208	.434	.520
VAR00005	175.5556	175.641	.670	.784	.410
VAR00006	175.5556	219.872	.082	.239	.546
VAR00007	175.0000	223.077	.122	.982	.535
VAR00008	175.1852	220.157	.146	.949	.531
VAR00009	175.1852	193.234	.581	.977	.454
VAR00010	179.4444	227.564	-.106	.326	.634
VAR00011	179.0741	186.610	.248	.439	.512
VAR00012	174.8148	239.387	-.143	.546	.560
VAR00013	175.0000	207.692	.378	.991	.494
VAR00014	175.1852	214.387	.235	.646	.516

<b>Appendix – V– Comparison of Different Behavior Concerning SR ( T- Test) - BSL</b>			
<b>Ratings</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Attitude towards</b>	<b>BSL</b>	<b>BSL</b>	<b>BSL</b>
<b>Social Responsibility</b>	<b>(Freq X 15)</b>	<b>(Freq X 10)</b>	<b>(Freq X 5)</b>
<b>Profit Maximization</b>	1125.00	1050.00	3440.00
<b>Calculative</b>	4305.00	5320.00	245.00
<b>Responsibility</b>			
<b>Social Responsibility</b>	7425.00	2430.00	650.00
<b>A = Profit Max. Behavior ; B = Calculative Responsibility ; C = Social Responsibility</b>			
<b>Intercompany comparison of different behaviors concerning social responsibility. ( T- test values Table 5)</b>			
<b>Companies</b>	<b>A Vs. B</b>	<b>B Vs. C</b>	<b>A Vs. C</b>
<b>BSL</b>	0.6044	0.9142	0.5982
	4.3027	4.3027	4.3027
<b>Voltas</b>	0.5942	0.8826	0.6054
	4.3027	4.3027	4.3027
<b>Carrier</b>	0.6129	0.9478	0.5899
	4.3027	4.3027	4.3027
<b>ETA</b>	0.6102	0.8874	0.6165
	4.3027	4.3027	4.3027
<b>Note : Figures in the parenthesis are table values of t , If the table value of t is tt, and the computed values are tc, then the difference is significant if <math>tc &gt; tt</math> and the difference is insignificant if <math>tc &lt; tt</math>. Level of</b>			

A		B	
1125		4305	
1050		5320	
3440		245	
For Blue Star Ltd			
A Vs B		t-Test: Paired Two Sample for Means	
	Variable 1	Variable 2	
Mean	1871.666667	3290	
Variance	1846158.333	7211575	
Observations	3	3	
Pearson Correlation	-0.986822201		
Hypothesized Mean Difference	0		
Df	2		
t Stat	-0.609242101		
P(T<=t) one-tail	0.302176436		
t Critical one-tail	2.91998558		
P(T<=t) two-tail	0.604352872		
t Critical two-tail	4.30265273		
	B	C	
	4305	7425	
	5320	2430	
	245	650	
B Vs C		t-Test: Paired Two Sample for Means	
	Variable 1	Variable 2	
Mean	3290	3501.666667	
Variance	7211575	12336508.33	
Observations	3	3	
Pearson Correlation	0.556077518		
Hypothesized Mean Difference	0		
Df	2		
t Stat	-0.121813534		
P(T<=t) one-tail	0.457091294		
t Critical one-tail	2.91998558		
P(T<=t) two-tail	0.914182587		
t Critical two-tail	4.30265273		

	A	C	
A Vs C	1125	7425.00	
	1050	2430.00	
	3440	650.00	
t-Test: Paired Two Sample for Means			
	<i>Variable 1</i>	<i>Variable 2</i>	
Mean	1871.666667	3501.666667	
Variance	1846158.333	12336508.33	
Observations	3	3	
Pearson Correlation	-0.683233486		
Hypothesized Mean Difference	0		
Df	2		
t Stat	-0.620471947		
P(T<=t) one-tail	0.299114177		
t Critical one-tail	2.91998558		
P(T<=t) two-tail	0.598228353		
t Critical two-tail	4.30265273		

## Appendix – VI – Comparison of Different Behavior Concerning SR ( T- Test) Voltas

Appendix – VI – Comparison of Different Behavior Concerning SR ( T- Test) Voltas																																																																			
Ratings																																																																			
Attitude towards	Voltas	Voltas	Voltas																																																																
Social Responsibility	(Freq X 15)	(Freq X 10)	(Freq X 5)																																																																
Profit Maximization	900.00	1080.00	2730.00																																																																
Calculative	3570.00	4040.00	360.00																																																																
Responsibility																																																																			
Social Responsibility	6165.00	1940.00	545.00																																																																
<p>A = Profit Max. Behavior ; B = Calculative Responsibility ; C = Social Responsibility</p> <p>Intercompany comparison of different behaviors concerning social responsibility. ( T- test values Table 5)</p> <table> <tr> <th>Companies</th><th>A Vs. B</th><th>B Vs. C</th><th>A Vs. C</th></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td>BSL</td><td>0.6044</td><td>0.9142</td><td>0.5982</td></tr> <tr><td></td><td>4.3027</td><td>4.3027</td><td>4.3027</td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td>Voltas</td><td>0.5942</td><td>0.8826</td><td>0.6054</td></tr> <tr><td></td><td>4.3027</td><td>4.3027</td><td>4.3027</td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td>Carrier</td><td>0.6129</td><td>0.9478</td><td>0.5899</td></tr> <tr><td></td><td>4.3027</td><td>4.3027</td><td>4.3027</td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td>ETA</td><td>0.6102</td><td>0.8874</td><td>0.6165</td></tr> <tr><td></td><td>4.3027</td><td>4.3027</td><td>4.3027</td></tr> <tr><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td></tr> </table> <p>Note : Figures in the parenthesis are table values of t , If the table value of t is tt, and the computed values are tc, then the difference is significant if <math>t_c &gt; t_t</math> and the difference is insignificant if <math>t_c &lt; t_t</math>. Level of</p>				Companies	A Vs. B	B Vs. C	A Vs. C									BSL	0.6044	0.9142	0.5982		4.3027	4.3027	4.3027					Voltas	0.5942	0.8826	0.6054		4.3027	4.3027	4.3027					Carrier	0.6129	0.9478	0.5899		4.3027	4.3027	4.3027					ETA	0.6102	0.8874	0.6165		4.3027	4.3027	4.3027								
Companies	A Vs. B	B Vs. C	A Vs. C																																																																
BSL	0.6044	0.9142	0.5982																																																																
	4.3027	4.3027	4.3027																																																																
Voltas	0.5942	0.8826	0.6054																																																																
	4.3027	4.3027	4.3027																																																																
Carrier	0.6129	0.9478	0.5899																																																																
	4.3027	4.3027	4.3027																																																																
ETA	0.6102	0.8874	0.6165																																																																
	4.3027	4.3027	4.3027																																																																



		A Vs. B	
A Vs. B	A		B
	900		3570
	1080		4040
	2730		360
	t-Test: Paired Two Sample for Means		
		<i>Variable 1</i>	<i>Variable 2</i>
	Mean	1570	2656.666667
	Variance	1017300	4011233.333
	Observations	3	3
	Pearson Correlation	-0.978660817	
	Hypothesized Mean Difference	0	
	Df	2	
	t Stat	-0.628000474	
	P(T<=t) one-tail	0.297076184	
	t Critical one-tail	2.91998558	
	P(T<=t) two-tail	0.594152368	
	t Critical two-tail	4.30265273	
B Vs. C		B Vs. C	
	B		C
	3570		6165
	4040		1940
	360		545
	t-Test: Paired Two Sample for Means		
		<i>Variable 1</i>	<i>Variable 2</i>
	Mean	2656.666667	2883.333333
	Variance	4011233.333	8563508.333
	Observations	3	3
	Pearson Correlation	0.602524781	
	Hypothesized Mean Difference	0	
	Df	2	
	t Stat	-0.167221218	
	P(T<=t) one-tail	0.441287391	
	t Critical one-tail	2.91998558	
	P(T<=t) two-tail	0.882574782	
	t Critical two-tail	4.30265273	

C Vs. A		C Vs. A	
	C		A
	6165		900
	1940		1080
	545		2730
	t-Test: Paired Two Sample for Means		
		<i>Variable 1</i>	<i>Variable 2</i>
	Mean	2883.333333	1570
	Variance	8563508.333	1017300
	Observations	3	3
	Pearson Correlation	-0.753662913	
	Hypothesized Mean Difference	0	
	Df	2	
	t Stat	0.607310094	
	P(T<=t) one-tail	0.302705961	
	t Critical one-tail	2.91998558	
	P(T<=t) two-tail	0.605411922	
	t Critical two-tail	4.30265273	

# Appendix –VII – Comparison of Different Behavior Concerning SR ( T- Test) – Carrier

Ratings	1	2	3
Attitude towards	Carrier	Carrier	Carrier
Social Responsibility	(Freq X 15)	(Freq X 10)	(Freq X 5)
Profit Maximization	690.00	380.00	1470.00
Calculative	1935.00	2300.00	95.00
Responsibility			
Social Responsibility	3060.00	1100.00	320.00
A = Profit Max. Behavior ; B = Calculative Responsibility ; C = Social Responsibility			

Intercompany comparison of different behaviors concerning social responsibility.  
( T- test values Table 5)

Companies	A Vs. B	B Vs. C	A Vs. C
BSL	0.6044	0.9142	0.5982
	4.3027	4.3027	4.3027
Voltas	0.5942	0.8826	0.6054
	4.3027	4.3027	4.3027
Carrier	0.6129	0.9478	0.5899
	4.3027	4.3027	4.3027
ETA	0.6102	0.8874	0.6165
	4.3027	4.3027	4.3027

Note : Figures in the parenthesis are table values of t , If the table value of t is tt, and the computed values are tc, then the difference is significant if  $tc > tt$  and the difference is insignificant if  $tc < tt$ . Level of

Level of significance is 5%.

A	A Vs. B	B
690		1935
380		2300
1470		95

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	846.6666667	1443.333333
Variance	315433.3333	1396808.333
Observations	3	3
Pearson Correlation	-	
Hypothesized Mean Difference	0	
Df	2	
t Stat	-	
	0.593753699	
P(T<=t) one-tail	0.306443614	
t Critical one-tail	2.91998558	
P(T<=t) two-tail	0.612887228	
t Critical two-tail	4.30265273	

<b>B</b>	<b>B Vs. C</b>	<b>C</b>
1935		3060
2300		1100
95		320
t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	1443.333333	1493.333333
Variance	1396808.333	1992933.333
Observations	3	3
Pearson Correlation	0.603961537	
Hypothesized Mean Difference	0	
Df	2	
t Stat	-	
	0.073871686	
P(T<=t) one-tail	0.473917973	
t Critical one-tail	2.91998558	
P(T<=t) two-tail	0.947835947	
t Critical two-tail	4.30265273	
<b>C</b>	<b>C Vs.A</b>	<b>A</b>
3060		690
1100		380
320		1470

t-Test: Paired Two Sample for Means		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	1493.333333	846.6666667
Variance	1992933.333	315433.3333
Observations	3	3
Pearson Correlation	-	
Hypothesized Mean Difference	0	
Df	2	
t Stat	0.635983539	
P(T<=t) one-tail	0.294928296	
t Critical one-tail	2.91998558	
P(T<=t) two-tail	0.589856592	
t Critical two-tail	4.30265273	

# Appendix – VIII – Comparison of Different Behavior Concerning SR ( T- Test) – ETA

Ratings	1	2	3
Attitude towards	ETA	ETA	ETA
Social Responsibility	(Freq X 15)	(Freq X 10)	(Freq X 5)
Profit Maximization	480.00	600.00	1710.00
Calculative	1935.00	2750.00	150.00
Responsibility			
Social Responsibility	4125.00	940.00	325.00
A = Profit Max. Behavior ; B = Calculative Responsibility ; C = Social Responsibility			

<b>Intercompany comparison of different behaviors concerning social responsibility. ( T- test values Table 5)</b>					
<b>Companies</b>	<b>A Vs. B</b>	<b>B Vs. C</b>	<b>A Vs. C</b>		
<b>BSL</b>	0.6044	0.9142	0.5982		
	4.3027	4.3027	4.3027		
<b>Voltas</b>	0.5942	0.8826	0.6054		
	4.3027	4.3027	4.3027		
<b>Carrier</b>	0.6129	0.9478	0.5899		
	4.3027	4.3027	4.3027		
<b>ETA</b>	0.6102	0.8874	0.6165		
	4.3027	4.3027	4.3027		
<b>Note : Figures in the parenthesis are table values of t , If the table value of t is tt, and the computed values are tc, then the difference is significant if tc &gt; tt and the difference is insignificant if tc &lt; tt. Level of</b>					
<b>Level of significance is 5%.</b>					
<b>A</b>				<b>A Vs. B</b>	<b>B</b>
480					1935
600					2750
1710					150

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	930	1611.666667
Variance	459900	1768408.333
Observations	3	3
	-	
Pearson Correlation	0.921047477	
Hypothesized Mean Difference	0	
Df	2	
	-	
t Stat	0.598663169	
P(T<=t) one-tail	0.305085551	
t Critical one-tail	2.91998558	
P(T<=t) two-tail	0.610171103	
t Critical two-tail	4.30265273	

<b>B</b>	<b>B Vs. C</b>	<b>C</b>
1935		4125
2750		940
150		325
t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	1611.666667	1796.666667
Variance	1768408.333	4160408.333
Observations	3	3
Pearson Correlation	0.355537007	
Hypothesized Mean Difference	0	
Df	2	
	-	
t Stat	0.160213198	
P(T<=t) one-tail	0.443716107	
t Critical one-tail	2.91998558	
P(T<=t) two-tail	0.887432214	
t Critical two-tail	4.30265273	

<b>C</b>	<b>C Vs. A</b>	<b>A</b>
480		4125
600		940
1710		325
t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2

Mean	930	1796.666667
Variance	459900	4160408.333
Observations	3	3
Pearson Correlation	-0.69147095	
Hypothesized Mean Difference	0	
Df	2	
t Stat	-	
P(T<=t) one-tail	0.587283508	
t Critical one-tail	0.308241127	
P(T<=t) two-tail	2.91998558	
t Critical two-tail	0.616482254	
t Critical two-tail	4.30265273	



**Appendix - IX T - Test for Intercompany Comparison of various Social Responsibility Activities**

Companies	BSL	Voltas	Carrier	ETA
<b>BSL</b>	0.0000	0.3772	0.4751	0.5848
		(+2.1009)	(+2.1314)	(+2.1009)
<b>Voltas</b>	0.3772	0.0000	0.9990	0.7510
	(+2.1009)		(+ 2.1199)	(+2.1009)
<b>Carrier</b>	0.4751	0.9990	0.0000	0.7937
	(+2.1314)	(+ 2.1199)		(+ 2.1199)
<b>ETA</b>	0.5848	0.7510	0.7937	0.0000
	(+2.1009)	(+2.1009)	(+ 2.1199)	

**Note :** Figures in the parenthesis are table values of  $t$  ,  
if the table value of  $t$  is  $t_t$ , and the computed  
values are  $t_c$ , then the difference is significant if  $t_c > t_t$   
and the difference is insignificant if  
 $t_c < t_t$ . Level of significance is 5%.

	<b>BSL Vs. Voltas</b>	
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	7.346774194	6.12745098
Variance	7.833925887	10.30212739
Observations	10	10
Hypothesized Mean Difference	0	
Df	18	
t Stat	0.905414511	
P(T<=t) one-tail	0.18860302	
t Critical one-tail	1.734063592	
P(T<=t) two-tail	0.377206039	
t Critical two-tail	2.100922037	

t-Test: Two-Sample Assuming Unequal Variances		
	<b>Voltas Vs. Carrier</b>	
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	6.12745098	6.12962963
Variance	10.30212739	19.76413656
Observations	10	10
Hypothesized Mean Difference	0	
Df	16	
t Stat	-0.001256457	
P(T<=t) one-tail	0.499506513	
t Critical one-tail	1.745883669	
P(T<=t) two-tail	0.999013025	
t Critical two-tail	2.119905285	

t-Test: Two-Sample Assuming Unequal Variances		
	<b>ETA Vs. BSL</b>	
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	6.592592593	7.346774194
Variance	10.54107606	7.833925887
Observations	10	10
Hypothesized Mean Difference	0	
Df	18	
t Stat	-0.556368119	
P(T<=t) one-tail	0.292405157	
t Critical one-tail	1.734063592	
P(T<=t) two-tail	0.584810315	
t Critical two-tail	2.100922037	

t-Test: Two-Sample Assuming Unequal Variances		
	<b>ETA Vs. Voltas</b>	
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	6.592592593	6.12745098
Variance	10.54107606	10.30212739
Observations	10	10
Hypothesized Mean Difference	0	
Df	18	
t Stat	0.322183251	
P(T<=t) one-tail	0.375512851	
t Critical one-tail	1.734063592	
P(T<=t) two-tail	0.751025701	
t Critical two-tail	2.100922037	

t-Test: Two-Sample Assuming Unequal Variances		
	ETA Vs. Carrier	
	Variable 1	Variable 2
Mean	6.592592593	6.12962963
Variance	10.54107606	19.76413656
Observations	10	10
Hypothesized Mean Difference	0	
Df	16	
t Stat	0.265942398	
P(T<=t) one-tail	0.396840021	
t Critical one-tail	1.745883669	
P(T<=t) two-tail	0.793680042	
t Critical two-tail	2.119905285	

	BSL Vs.Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	7.410394265	6.12962963
Variance	8.767632096	19.76413656
Observations	9	10
Hypothesized Mean Difference	0	
Df	16	
t Stat	0.745614811	
P(T<=t) one-tail	0.233356788	
t Critical one-tail	1.745883669	
P(T<=t) two-tail	0.466713577	
t Critical two-tail	2.119905285	

**Appendix – X : Two tailed T-Test for Inter company comparison  
of Social Responsibility activities to share holders.**

Companies	BSL	Voltas	Carrier	ETA
<b>BSL</b>	0.0000	0.7420	0.8841	0.1674
		(+2.3060)	(+2.3060)	(+2.4469)
<b>Voltas</b>	0.7420	0.0000	0.8993	0.2108
	(+2.3060)		(+2.3646)	(+2.5705)
<b>Carrier</b>	0.8841	0.8993	0.0000	0.2105
	(+2.3060)	(+2.3646)		(+2.4469)
<b>ETA</b>	0.1674	0.2108	0.2105	0.0000
	(+2.4469)	(+2.5705)	(+2.4469)	

**Note :** Figures in the parenthesis are table values of  $t$  ,  
if the table value of  $t$  is  $t_t$ , and the computed  
values are  $t_c$ , then the difference is significant if  $t_c > t_t$   
and the difference is insignificant if  
 $t_c < t_t$ . Level of significance is 5%.

	BSL Vs. Voltas	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	13.21568627	13.06451613
Variance	0.381584006	0.601586889
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.340907477	
P(T<=t) one-tail	0.370976729	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.741953458	
t Critical two-tail	2.306004133	

	Voltas Vs. Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	13.21568627	13.14814815
Variance	0.381584006	0.943072702
Observations	5	5
Hypothesized Mean Difference	0	
Df	7	
t Stat	0.131214654	
P(T<=t) one-tail	0.449648539	
t Critical one-tail	1.894578604	
P(T<=t) two-tail	0.899297078	
t Critical two-tail	2.364624251	
	BSL Vs. Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	13.06451613	13.14814815
Variance	0.601586889	0.943072702
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	-0.150466976	
P(T<=t) one-tail	0.44206042	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.88412084	
t Critical two-tail	2.306004133	
	ETA Vs. BSL	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	14.37037037	13.06451613
Variance	2.856652949	0.601586889
Observations	5	5
Hypothesized Mean Difference	0	
Df	6	
t Stat	1.570189798	
P(T<=t) one-tail	0.08371235	
t Critical one-tail	1.943180274	
P(T<=t) two-tail	0.167424699	
t Critical two-tail	2.446911846	

	ETA Vs. Voltas	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	14.37037037	13.21568627
Variance	2.856652949	0.381584006
Observations	5	5
Hypothesized Mean Difference	0	
Df	5	
t Stat	1.434808279	
P(T<=t) one-tail	0.10540487	
t Critical one-tail	2.015048372	
P(T<=t) two-tail	0.210809739	
t Critical two-tail	2.570581835	

	ETA Vs. Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	14.37037037	13.14814815
Variance	2.856652949	0.943072702
Observations	5	5
Hypothesized Mean Difference	0	
Df	6	
t Stat	1.402035653	
P(T<=t) one-tail	0.105231377	
t Critical one-tail	1.943180274	
P(T<=t) two-tail	0.210462754	
t Critical two-tail	2.446911846	

**Appendix XI : Two tailed T-Test for Inter company comparison of fulfillment of legal and ethical activities.**

Companies	BSL	Voltas	Carrier	ETA
<b>BSL</b>	0	0.1442	0.1182	0.0112
		(+2.3060)	(+2.3060)	(+2.2281)
<b>Voltas</b>	0.1442	0	0.8629	0.0672
	(+2.3060)		(+2.2281)	(+2.3060)
<b>Carrier</b>	0.1182	0.8629	0	0.0822
	(+2.3060)	(+2.2281)		(+2.3060)
<b>ETA</b>	0.0112	0.0672	0.0822	0
	(+2.2281)	(+2.3060)	(+2.3060)	

**Note :** Figures in the parenthesis are table values of  $t$  , if the table value of  $t$  is  $tt$ , and the computed values are  $tc$ , then the difference is significant if  $tc > tt$  and the difference is insignificant if  $tc < tt$ . Level of significance is 5%.

	<b>BSL Vs. Voltas</b>	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	13.36601307	12.27150538
Variance	0.783032167	1.959980923
Observations	6	6
Hypothesized Mean Difference	0	
Df	8	
t Stat	1.618752696	
P(T<=t) one-tail	0.072080463	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.144160925	
t Critical two-tail	2.306004133	

	<b>Voltas Vs. Carrier</b>	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	13.36601307	13.45679012
Variance	0.783032167	0.791037952
Observations	6	6
Hypothesized Mean Difference	0	
Df	10	
t Stat	-0.177230989	
P(T<=t) one-tail	0.431432646	
t Critical one-tail	1.812461102	
P(T<=t) two-tail	0.862865292	
t Critical two-tail	2.228138842	

	<b>BSL Vs. Carrier</b>	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	12.27150538	13.45679012
Variance	1.959980923	0.791037952
Observations	6	6
Hypothesized Mean Difference	0	
Df	8	
t Stat	-1.750457359	
P(T<=t) one-tail	0.059075271	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.118150543	
t Critical two-tail	2.306004133	

	<b>ETA Vs. BSL</b>	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	14.87654321	12.27150538
Variance	2.272519433	1.959980923
Observations	6	6
Hypothesized Mean Difference	0	
Df	10	
t Stat	3.101638355	
P(T<=t) one-tail	0.005609653	
t Critical one-tail	1.812461102	
P(T<=t) two-tail	0.011219305	
t Critical two-tail	2.228138842	



	<b>ETA Vs. Voltas</b>	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	14.87654321	13.36601307
Variance	2.272519433	0.783032167
Observations	6	6
Hypothesized Mean Difference	0	
Df	8	
t Stat	2.116704382	
P(T<=t) one-tail	0.033584423	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.067168846	
t Critical two-tail	2.306004133	

	<b>ETA Vs. Carrier</b>	
t-Test: Two-Sample Assuming Unequal Variances		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	14.87654321	13.45679012
Variance	2.272519433	0.791037952
Observations	6	6
Hypothesized Mean Difference	0	
Df	8	
t Stat	1.986897379	
P(T<=t) one-tail	0.041083382	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.082166763	
t Critical two-tail	2.306004133	

**Appendix XII : Two tailed T-Test for Inter company comparison of executives expectation of code of conduct.**

Companies	BSL	Voltas	Carrier	ETA
<b>BSL</b>	0.0000	0.8686	0.9319	0.2224
		(+2.3060)	(+2.3646)	(+2.3646)
<b>Voltas</b>	0.8686	0.0000	0.8270	0.3043
	(+2.3060)		(+2.3060)	(+2.3060)
<b>Carrier</b>	0.9319	0.8270	0.0000	0.2583
	(+2.3646)	(+2.3060)		(+2.3060)
<b>ETA</b>	0.2224	0.3043	0.2583	0.0000
	(+2.3646)	(+2.3060)	(+2.3060)	

**Note :** Figures in the parenthesis are table values of  $t$  , if the table value of  $t$  is  $t_t$ , and the computed values are  $t_c$ , then the difference is significant if  $t_c > t_t$  and the difference is insignificant if  $t_c < t_t$ . Level of significance is 5%.

	BSL Vs. Voltas	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	13.59677419	13.92156863
Variance	7.494146722	10.57766244
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	-0.170841259	
P(T<=t) one-tail	0.434295225	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.86859045	
t Critical two-tail	2.306004133	

	Voltas Vs. Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	13.40740741	13.92156863
Variance	15.35665295	10.57766244
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	-0.225759963	
P(T<=t) one-tail	0.413524445	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.82704889	
t Critical two-tail	2.306004133	

	ETA Vs.BSL	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	16.2962963	13.59677419
Variance	12.82578875	7.494146722
Observations	5	5
Hypothesized Mean Difference	0	
Df	7	
t Stat	1.339092962	
P(T<=t) one-tail	0.111194039	
t Critical one-tail	1.894578604	
P(T<=t) two-tail	0.222388079	
t Critical two-tail	2.364624251	

	ETA Vs. Voltas	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	16.2962963	13.92156863
Variance	12.82578875	10.57766244
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	1.097637313	
P(T<=t) one-tail	0.15214924	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.304298481	
t Critical two-tail	2.306004133	

	ETA Vs.Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	16.2962963	13.40740741
Variance	12.82578875	15.35665295
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	1.21682054	
P(T<=t) one-tail	0.129174701	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	0.258349401	
t Critical two-tail	2.306004133	

	BSL Vs.Carrier	
t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	13.59677419	13.40740741
Variance	7.494146722	15.35665295
Observations	5	5
Hypothesized Mean Difference	0	
Df	7	
t Stat	0.088580496	
P(T<=t) one-tail	0.46594815	
t Critical one-tail	1.894578604	
P(T<=t) two-tail	0.931896299	
t Critical two-tail	2.364624251	

## Appendix XIII – Corporate Purpose – BSL



### The Corporate Purpose

We are a leading Indian engineering company with substantial competence in, and revenues from 3 streams of businesses:

- Airconditioning
- Commercial Refrigeration
- Professional Electronics and Industrial Systems

As of now, our footprint is mainly Indian. However, we wish to progressively build a sizeable presence in chosen international markets over the next few years.

We are a customer-focused organisation, deliberately tuned to deliver a world-class experience to corporate and commercial customers. As specialists, we serve our customers with differentiated products, expert solutions and value-added services.

Technical, engineering and contracting expertise give us our competitive edge, and technical manpower constitutes our key resource. We will continue to recruit and retain employees and business partners who relate to our customer-oriented, specialist/expert culture. We will make Blue Star the employer of choice in our industry for we recognise that happy employees make happy customers.

A set of 12 Guiding Corporate Values and Beliefs defines our responsibilities to our stakeholders: customers, employees, shareholders, business partners and society. Delivering a world-class experience and adhering to our Corporate Values constitute the two pillars of the Blue Star Way. We will make conscious efforts to align our employees and business partners with this Blue Star Way.

We will strive to win the trust and admiration of all our stakeholders by sharing with them the fruits of business success.

## Appendix -XIV – Guiding Values and Beliefs – BSL.



### Guiding Values and Beliefs

- To deliver a world-class customer experience.
- Focus on profitable Company growth.
- Be a company that is a pleasure to do business with.
- Work in a boundary-less manner between divisions to provide the best solutions to customers.
- Win our people's hearts and minds.
- Place the Company's interest above one's own.
- Encourage innovation, creativity and experimentation in what we do.
- Build an extended organization of committed business partners.
- Be a good corporate citizen.
- Honour all personal and corporate commitments.
- Maintain personal integrity.
- Ensure high standards of corporate governance.

## Appendix– XV Corporate Safety Policy



### Corporate Safety Policy

Blue Star's Management firmly believes that safety of its employees and all the stakeholders associated with our project sites and manufacturing facilities is of utmost importance. Safety is an essential and integral part of all our work activities which includes planning, design, procurement, fabrication, construction, installation and commissioning of facilities, products, manufacturing processes and services. We believe that incidents or accidents and risk to health are preventable through the active involvement of all the stakeholders, thereby creating a safe and accident-free work place.

With regard to safety objectives, Blue Star will:-

- Comply with the requirements of all relevant statutory, regulatory and other provisions.
- Create and promote safety awareness to protect all stakeholders from foreseeable work hazards and risks through campaigns and training programmes among employees, business associates and clients.
- Provide appropriate level of training and support to management and employees to ensure that they are able to fulfill safety responsibilities.
- Work with major suppliers, business associates and customers to facilitate their safety performance improvement and also make it obligatory for them to follow the project site safety rules, procedures, systems and safe practices.
- Ensure that appropriate resources are available to fully implement the Safety Policy and continuously review the policy's relevance with respect to legal and business development.

The management sincerely believes that safety related incidents are preventable by coordinated team effort of all stakeholders and through shared individual responsibility at all levels for safety issues thereby aiming to achieve continuous improvement and overall success of our safety program.

  
**Ashok M Advani**  
Executive Chairman

July, 2009

## **Appendix - XVI – TATA Code of Conduct**

### **Foreword**

The values and principles which have governed the manner in which the Tata Group of companies and their employees have conducted themselves were first formally articulated as the Tata Code of Conduct in 1998. This Code was intended to serve as a guide to each employee on the values, ethics and business principles expected of him or her in personal and professional conduct.

It is however important to consider the effect of the rapidly increasing footprint of Tata Group companies across nationalities and geographical boundaries on the Code, whilst retaining the ethos of the Tata brand and reputation. This emergent global presence requires an appropriate modification of the Code to ensure that it addresses and encompasses diverse cultural, business and related issues universally across our Group. I urge each employee to read the current version of the Tata Code of Conduct and take pride in upholding the high standards of corporate and personal behaviour on which the Tata Group's reputation and respectability have been built over the past 130 years.

**Ratan N. Tata**

### **Clause:1**

#### **National interest**

The Tata Group is committed to benefit the economic development of the countries in which it operates. No Tata company shall undertake any project or activity to the detriment of the wider interests of the communities in which it operates. A Tata company's management practices and business conduct shall benefit the country, localities and communities in which it operates, to the extent possible and affordable, and shall be in accordance with the laws of the land. A Tata company, in the course of its business activities, shall respect the culture, customs and traditions of each country and region in which it operates. It shall conform to trade procedures, including licensing, documentation and other necessary formalities, as applicable.

### **Clause:2**

#### **Financial reporting and records**

A Tata company shall prepare and maintain its accounts fairly and accurately and in accordance with the accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the company conducts its business affairs. Internal accounting and audit procedures shall reflect, fairly and accurately, all of the company's business transactions and disposition of assets, and shall have internal controls to provide assurance to the company's board and shareholders that the transactions are accurate and legitimate. All required information shall be accessible to company auditors and other authorised parties and government agencies. There shall be no willful omissions of any company transactions from the books and records, no advance-income recognition and no hidden bank account and funds. Any willful, material misrepresentation of and / or misinformation on the financial accounts and reports shall be regarded as a violation of the Code, apart from inviting appropriate civil or criminal



action under the relevant laws. No employee shall make, authorise, abet or collude in an improper payment, unlawful commission or bribing.

**Clause:3**

**Competition**

A Tata company shall fully support the development and operation of competitive open markets and shall promote the liberalisation of trade and investment in each country and market in which it operates. Specifically, no Tata company or employee shall engage in restrictive trade practices, abuse of market dominance or similar unfair trade activities. A Tata company or employee shall market the company's products and services on their own merits and shall not make unfair and misleading statements about competitors' products and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means.

**Clause:4**

**Equal opportunities employer**

A Tata company shall provide equal opportunities to all its employees and all qualified applicants foremployment without regard to their race, caste, religion,colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability. Human resource policies shall promote diversity and equality in the workplace, as well as compliance with all local labour laws, while encouraging the adoption of international best practices. Employees of a Tata company shall be treated with dignity and in accordance with the Tata policy of maintaining a work environment free of all forms of harassment, whether physical, verbal or psychological. Employee policies and practices shall be administered in a manner consistent with applicable laws and other provisions of this Code, respect for the right to privacy and the right to be heard, and that in all matters equal opportunity is provided to those eligible and decisions are based on merit.

**Clause:5**

**Gifts and donations**

A Tata company and its employees shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits that are intended, or perceived, to obtain uncompetitive favours for the conduct of its business. The company shall cooperate with governmental authorities in efforts to eliminate all forms of bribery, fraud and corruption. However, a Tata company and its employees may, with full disclosure, accept and offer nominal gifts, provided such gifts are customarily given and are of a commemorative nature. Each company shall have a policy to clarify its rules and regulations on gifts and entertainment, to be used for the guidance of its employees.

**Clause:6**

**Government agencies**

A Tata company and its employees shall not, unlessmandated under applicable laws, offer or give any company funds or property as donation to any government agency or its representative, directly or through intermediaries, in order to obtain any favourable performance of official duties. A Tata company shall comply with government procurement regulations and shall be transparent in all its dealings with government agencies.

**Clause:7**  
**Political non-alignment**

A Tata company shall be committed to and support the constitution and governance systems of the country in which it operates. A Tata company shall not support any specific political party or candidate for political office. The company's conduct shall preclude any activity that could be interpreted as mutual dependence / favour with any political body or person, and shall not offer or give any company funds or property as donations to any political party, candidate or campaign.

**Clause:8**  
**Health, safety and environment**

A Tata company shall strive to provide a safe, healthy, clean and ergonomic working environment for its people. It shall prevent the wasteful use of natural resources and be committed to improving the environment, particularly with regard to the emission of greenhouse gases, and shall endeavour to offset the effect of climate change in all spheres of its activities. A Tata company, in the process of production and sale of its products and services, shall strive for economic, social and environmental sustainability.

**Clause:9**  
**Quality of products and services**

A Tata company shall be committed to supply goods and services of world class quality standards, backed by after-sales services consistent with the requirements of its customers, while striving for their total satisfaction. The quality standards of the company's goods and services shall meet applicable national and international standards. A Tata company shall display adequate health and safety labels, caveats and other necessary information on its product packaging.

**Clause:10**  
**Corporate citizenship**

A Tata company shall be committed to good corporate citizenship, not only in the compliance of all relevant laws and regulations but also by actively assisting in the improvement of quality of life of the people in the communities in which it operates. The company shall encourage volunteering by its employees and collaboration with community groups. Tata companies are also encouraged to develop systematic processes and conduct management reviews, as stated in the Tata 'corporate sustainability protocol', from time to time so as to set strategic direction for social development activity. The company shall not treat these activities as optional, but should strive to incorporate them as an integral part of its business plan.

**Clause:11**  
**Cooperation of Tata companies**

A Tata company shall cooperate with other Tata companies including applicable joint ventures, by sharing knowledge and physical, human and management resources, and by making efforts to resolve disputes amicably, as long as this does not adversely affect its business interests and shareholder value.

In the procurement of products and services, a Tata company shall give preference to other Tata companies, as long as they can provide these on competitive terms relative to third parties.

**Clause:12**

**Public representation of the company and the Group**

The Tata Group honours the information requirements of the public and its stakeholders. In all its public appearances, with respect to disclosing company and business information to public constituencies such as the media, the financial community, employees, shareholders, agents, franchisees, dealers, distributors and importers, a Tata company or the Tata Group shall be represented only by specifically authorised directors and employees. It shall be the sole responsibility of these authorised representatives to disclose information about the company or the Group.

**Clause:13**

**Third party representation**

Parties which have business dealings with the Tata Group but are not members of the Group, such as consultants, agents, sales representatives, distributors, channel partners, contractors and suppliers, shall not be authorised to represent a Tata company without the written permission of the Tata company, and / or if their business conduct and ethics are known to be inconsistent with the Code.

Third parties and their employees are expected to abide by the Code in their interaction with, and on behalf of, a Tata company. Tata companies are encouraged to sign a nondisclosure agreement with third parties to support confidentiality of information.

**Clause:14**

**Use of the Tata brand**

The use of the Tata name and trademark shall be governed by manuals, codes and agreements to be issued by Tata Sons. The use of the Tata brand is defined in and regulated by the Tata Brand Equity and Business Promotion Agreement. No third party or joint venture shall use the Tata brand to further its interests without specific authorisation.

**Clause:15**

**Group policies**

A Tata company shall recommend to its board of directors the adoption of policies and guidelines periodically formulated by Tata Sons.

**Clause:16**

**Shareholders**

A Tata company shall be committed to enhancing shareholder value and complying with all regulations and laws that govern shareholder rights. The board of directors of a Tata company shall duly and fairly inform its shareholders about all relevant aspects of the company's business, and disclose such information in accordance with relevant regulations and agreements.

**Clause:17**

**Ethical conduct**

Every employee of a Tata company, including full-time directors and the chief executive, shall exhibit culturally appropriate deportment in the countries they operate in, and deal on behalf of the company with professionalism, honesty and integrity, while

conforming to high moral and ethical standards. Such conduct shall be fair and transparent and be perceived to be so by third parties. Every employee of a Tata company shall preserve the human rights of every individual and the community, and shall strive to honour commitments. Every employee shall be responsible for the implementation of and compliance with the Code in his / her environment. Failure to adhere to the Code could attract severe consequences, including termination of employment.

#### **Clause:18**

##### **Regulatory compliance**

Employees of a Tata company, in their business conduct, shall comply with all applicable laws and regulations, in letter and spirit, in all the territories in which they operate. If the ethical and professional standards of applicable laws and regulations are below that of the Code, then the standards of the Code shall prevail.

#### **Clause:19**

##### **Concurrent employment**

Consistent with applicable laws, an employee of a Tata company shall not, without the requisite, officially written approval of the company, accept employment or a position of responsibility (such as a consultant or a director) with any other company, nor provide freelance services to anyone, with or without remuneration. In the case of a full-time director or the chief executive, such approval must be obtained from the board of directors of the company.

#### **Clause:20**

##### **Conflict of interest**

An employee or director of a Tata company shall always act in the interest of the company, and ensure that any business or personal association which he / she may have does not involve a conflict of interest with the operations of the company and his / her role therein. Independent directors of a Tata company shall comply with applicable laws and regulations of all the relevant regulatory and other authorities. As good governance practice they shall safeguard the confidentiality of all information received by them by virtue of their position, but they need not be bound by all other conflicts that are applicable to employees or executive directors, as indicated below. An employee, including the executive director (other than independent director) of a Tata company, shall not accept a position of responsibility in any other non-Tata company or not-for-profit organisation without specific sanction. The above shall not apply to (whether for remuneration or otherwise): a) Nominations to the boards of Tata companies, joint ventures or associate companies. b) Memberships / positions of responsibility in educational / professional bodies, wherein such association will benefit the employee / Tata company. c) Nominations / memberships in government committees / bodies or organisations. d) Exceptional circumstances, as determined by the competent authority. Competent authority, in the case of all employees, shall be the chief executive, who in turn shall report such exceptional cases to the board of directors on a quarterly basis. In case of the chief executive and executive directors, the Group Corporate Centre shall be the competent authority. An employee or a director of a Tata company shall not engage in any business, relationship or activity which might conflict with the interest of his / her company or the Tata Group. A conflict of interest, actual or potential, may arise where, directly or indirectly...a) An employee of a Tata company engages in a business, relationship or activity with anyone who is party to a transaction with his / her company. b) An employee is in a position to derive an improper benefit,

personally or to any of his / her relatives, by making or influencing decisions relating to any transaction. c) An independent judgement of the company's or Group's best interest cannot be exercised. The main areas of such actual or potential conflicts of interest shall include the following: a) An employee or a full-time director of a Tata company conducting business on behalf of his / her company or being in a position to influence a decision with regard to his / her company's business with a supplier or customer where his / her relative is a principal officer or representative, resulting in a benefit to him / her or his / her relative. b) Award of benefits such as increase in salary or other

remuneration, posting, promotion or recruitment of a relative of an employee of a Tata company, where such an individual is in a position to influence decisions with regard to such benefits. c) The interest of the company or the Group can be compromised or defeated. Notwithstanding such or any other instance of conflict of interest that exist due to historical reasons, adequate and full disclosure by interested employees shall be made to the company's management. It is also incumbent upon every employee to make a full disclosure of any interest which the employee or the employee's immediate family, including parents, spouse and children, may have in a family business or a company or firm that is a competitor, supplier, customer or distributor of or has other business dealings with his / her company. Upon a decision being taken in the matter, the employee concerned shall be required to take necessary action, as advised, to resolve / avoid the conflict. If an employee fails to make the required disclosure and the management of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the employee, the management shall take a serious view of the matter and consider suitable disciplinary action against the employee.

#### **Clause:21**

##### **Securities transactions and confidential information**

An employee of a Tata company and his / her immediate family shall not derive any benefit or counsel, or assist others to derive any benefit, from access to and possession of information about the company or Group or its clients or suppliers that is not in the public domain and, thus, constitutes unpublished, price-sensitive insider information. An employee of a Tata company shall not use or proliferate information that is not available to the investing public, and which therefore constitutes insider information, for making or giving advice on investment decisions about the securities of the respective Tata company, Group, client or supplier on which such insider information has been obtained. Such insider information might include (without limitation) the following:

☐ Acquisition and divestiture of businesses or business units. ☐ Financial information such as profits, earnings and dividends. ☐ Announcement of new product introductions or developments. ☐ Asset revaluations. ☐ Investment decisions / plans. ☐ Restructuring plans. ☐ Major supply and delivery agreements. ☐ Raising of finances.

An employee of a Tata company shall also respect and observe the confidentiality of information pertaining to other companies, their patents, intellectual property rights, trademarks and inventions; and strictly observe a practice of non-disclosure.

#### **Clause:22**

##### **Protecting company assets**

The assets of a Tata company shall not be misused; they shall be employed primarily and judiciously for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems,

facilities, materials and resources, as well as intangible assets such as information technology and systems, proprietary information, intellectual property, and relationships with customers and suppliers.

**Clause:23**  
**Citizenship**

The involvement of a Tata employee in civic or public affairs shall be with express approval from the chief executive of his / her company, subject to this involvement having no adverse impact on the business affairs of the company or the Tata Group.

**Clause:24**  
**Integrity of data furnished**

Every employee of a Tata company shall ensure, at all times, the integrity of data or information furnished by him/her to the company. He/she shall be entirely responsible in ensuring that the confidentiality of all data is retained and in no circumstance transferred to any outside person/party in the course of normal operations without express guidelines from or, the approval of the management.

**Clause:25**  
**Reporting concerns**

Every employee of a Tata company shall promptly report to the management, and / or third-party ethics helpline, when she / he becomes aware of any actual or possible violation of the Code or an event of misconduct, act of misdemeanour or act not in the company's interest. Such reporting shall be made available to suppliers and partners, too. Any Tata employee can choose to make a protected disclosure under the whistleblower policy of the company, providing for reporting to the chairperson of the audit committee or the board of directors or specified authority. Such a protected disclosure shall be forwarded, when there is reasonable evidence to conclude that a violation is possible or has taken place, with a covering letter, which shall bear the identity of the whistleblower. The company shall ensure protection to the whistleblower and any attempts to intimidate him / her would be treated as a violation of the Code.

**Note:**

The TCoC does not provide a full, comprehensive and complete explanation of all the rules that employees are bound to follow. Employees have a continuing obligation to familiarise themselves with all applicable laws, company policies, procedures and work rules. All JVs could adopt TCoC or a joint code of conduct incorporating all elements of the TCoC. This version of the TCoC supersedes all earlier versions and associated documents and stands effective from July 1, 2008.

## Appendix XVII, Voltas Environment Policy



**VOLTAS LIMITED**

A **TATA** Enterprise

**THANE WORKS**

### **ENVIRONMENTAL POLICY**

We, at VOLTAS LTD. Thane, Maharashtra, India engaged in manufacture and supply of Material Handling Equipment, Mining & Construction Equipment and Refrigeration & Air conditioning Equipment are committed to maintain and potentially improve environmental performance of the organization.

To achieve this we are committed to :

- Document, Implement and maintain Environmental Management System applicable to all activities, products and services.
- Prevention of environmental pollution and continual improvements through environmental objectives & targets.
- Comply with all currently applicable legal requirements and other requirements to which the organization subscribes and which relate to environmental aspects.
- Encourage and promote waste minimization, energy efficiency and resource conservation by setting appropriate objectives and programs.
- Communicate environmental policy to all persons working for or on behalf of the organization
- Make the policy available to public.

**Sudhir Bhalerao**

Location Head ,

**VOLTAS LIMITED**

2nd Pokhran Road,  
Thane - 400 608.

March 01, 2011

## **Appendix- XVIII - (UTC /Carriers Code of Conduct)**

### **Business Practices as defined by Carrier and UTC.**

#### ***Code of Ethics***

Carrier is committed to the highest standards of ethics and business conduct. This encompasses our relationship with our customers, our suppliers, our shareholders, our competitors, the communities in which we operate, and with each other as employees at every organizational level. These commitments and the responsibilities they entail are summarized here:

#### ***Our Customers***

Our primary responsibility is to those who use our products and services. We are committed to providing high quality and value, fair prices and honest transactions. We will deal both lawfully and ethically with all our customers.

#### ***Our Suppliers***

We are committed to dealing fairly with our suppliers. We will emphasize fair competition, without discrimination or deception, in a manner consistent with long-lasting business relationships

#### ***Our Employees***

We are committed to treating one another fairly and to maintaining employment practices based on equal opportunity for all employees. We will respect each other's privacy and treat each other with dignity and respect irrespective of age, race, color, sex, religion, or nationality. We are committed to providing safe and healthy working conditions, and an atmosphere of open communication for all our employees.

#### ***Our Shareowners***

We are committed to providing value to our shareowners and to protecting and improving the integrity of their investment through the prudent utilization of corporate resources and by observing the highest standards of legal and ethical conduct in all our business dealings.

#### ***Our Competitors***

We are committed to competing vigorously and fairly for business and to basing our efforts solely on the merits of our competitive offerings.

#### ***Our Communities***

We are committed to being a responsible corporate citizen of the worldwide communities in which we reside. We will abide by all national and local laws, and we will strive to improve the well-being of our communities through the encouragement of employee participation in civic affairs and through corporate philanthropy.



### **Appendix- XIX ( Dealership Management Policy Carrier)**

“Welcome to the supplier section of Carrier.com.

At every touch point with our consumers and in every commercial undertaking we pursue, Carrier is committed to delivering exceptional products and services that delight our customers.

As we deliver this value, we are only as good as our overall supply chain. We need to work collaboratively with our key suppliers to drive improvements in cost, quality, delivery and lead time. UTC Supplier Gold, United Technologies Corp.’s supplier recognition program, recognizes our best performing suppliers and our goal is to have all key suppliers reach UTC Supplier Gold by 2010.

We hope this Web site is a valuable tool for our suppliers as they make the journey toward UTC Supplier Gold. We look forward to your comments and feedback.

Sincerely,

Edward F. Dunn

Vice President, Supply Management  
Carrier Corporation

## **Appendix – XX - ETA Corporate Purpose.**

### **ETA Vision :**

Quality is single minded pursuit in the application of new technologies in our ranging diversities we innovate continuously, as we are strive to provide complete satisfaction to our customers and share holders.”

### **Vision Statement ETA Engg. India Pvt. Ltd.**

“To become No.1 Mechanical and Electrical Contracting and Manufacturing business in all the countries of our operation”

### **Mission Statement ETA**

Our Mission is to provide Quality M & E services for our Customers by meeting customer requirements in Design , Time schedule , Prompt after Sales Service and thereby achieving Total Customer Loyalty & repeat business .

### **Values**

Customer Care, Quality Workmanship, Team work, Flexibility

### **Quality Policy**

“We are committed to be the preferred MEP contractor through meeting requirements, continually improving the effectiveness of the Quality Management System and achieving Customer Satisfaction.” With an I.S.O- 9000 certification recd. from L.R.Q.A (Lloyd’s Register Quality Assurance Ltd.) for Ambattur (Chennai) & Pondicherry Factories, ensures the Products manufactured are of International Quality.

### **Quality Objectives**

*To strive for continual improvement in all our activities.*

*To focus on timely completion of job.*

*To support employees through training and teamwork.*

*To achieve results to enhance stake holders needs and expectations.*

## Creating an Ethical Culture

**G**OVERNANCE AT UTC begins with our Code of Ethics, created in 1990 and relaunched in 2006. The Code was adopted by UTC's Board of Directors, which, as of January 1, 2011, has 13 directors, 12 of whom are independent. As we work to build a culture of ethics and compliance, we seek candid feedback from employees.

UTC provides an opportunity for employees to comment on UTC's ethical climate as well as

issues ranging from management communications and employee engagement to training and safety.

UTC has a confidential communication channel for employees to raise questions or concerns regarding policies or to report potential ethics violations. Since 1986, more than 91,500 inquiries have been submitted.

UTC's Code of Ethics, which includes our policy on citizenship and human rights, is available online.

### 2010 Results

In recognition of UTC's leadership in developing internal systems to promote, shape and measure ethical behavior across all levels of the company, UTC received the 2010 Stanley C. Pace Leadership in Ethics Award from the Ethics Resource Center, a nongovernmental organization focused on fostering ethical business practices.

*"UTC has approached ethics with the same rigor and energy as other business imperatives. That's the kind of leadership that deserves recognition."*

patricia Harned,

President, Ethics Resource Center

2010 Stanley C. Pace Leadership in Ethics Award  
A recognition of leadership in ethics  
Comparison to other P 500 companies



## Investing in Our People

**OUR EMPLOYEE SCHOLAR PROGRAM** demonstrates UTC's commitment to support lifelong learning for all our employees. The Employee Scholar Program (ESP) is one of the most comprehensive company-sponsored employee education programs in the world. The program provides employees the resources to stay current in their chosen field or pursue new career opportunities. UTC has invested more than \$900 million in this program since 1980, and more than 30,000 degrees have been earned by employees in more than 50 countries.

A diverse, well-educated workforce makes us a stronger, more competitive company. One way we recruit our diverse

and talented workforce is through partnerships with organizations like INROADS, a nonprofit that provides career training and internships for minority youth. UTC's 25-year partnership with INROADS includes serving the last four consecutive years as its top corporate sponsor.

a key  
minority  
for corps.

Forest L. Harper,

President & CEO, INROADS

### 2010 Results

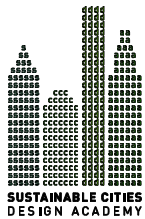
**Anna S. Achor** is a financial analyst in Engineering Finance at Pratt & Whitney in Poland. She is one of more than 12,500 UTC employees who were enrolled in degree programs in 2010 through our Employee Scholar Program. Anna wanted to pursue a degree in finance and accounting, and UTC offered her that opportunity.

*"The Employee Scholar Program is providing new learning experiences and opportunities for career development that I would not have had otherwise. For me, the ESP demonstrates UTC's commitment to employees and their future."*

## Community Matters



**CORPORATE RESPONSIBILITY** UTC includes minimizing the environmental impact of our products and operations, providing a safe work environment for employees, developing energy-efficient products, and supporting social causes in the communities where we do business. To effectively respond to the needs of our communities, we focus our charitable giving on issues that allow us to leverage our employee volunteer efforts, including:



**Building Sustainable Cities** promote environmental responsibility through sustainable building practices in urban areas. In partnership with the American Architectural Foundation, we established the Sustainable Cities Design Academy, which brings together architects, urban planners, developers, and government, business and community leaders

to help develop long-term solutions for sustainable building and infrastructure designs.



**Supporting Vibrant Communities** to enhance the well-being of the communities in which we operate. Positive engagement encourages

growth and vitality and helps us attract and retain the best employees. For more than half a century, UTC employees have been financial contributors – as well as active volunteers – for United Way Community Campaigns. Our combined giving totals more than \$100 million over the last two decades.



**Advancing Science, Technology, Engineering and mathematics (S T E ) Education**

support the development of the next generation of engineers and researchers. Our mentor program with FIRST (For Inspiration and Recognition of Science and Technology) grew to include nearly 75 student teams across North America in 2010.



**Investing in Emerging Markets**

demonstrate our commitment to employees and neighborhoods located in the more than 180 countries where UTC does business. We partnered with the Chinese Society for Urban Studies (CSUS), under the Ministry of

Housing and Urban Rural Development, to support a multi-year research project and campaign promoting sustainable building practices in China. The result: an Eco-City Index System that will be used as a tool to both guide and measure China's planning and development as well as its existing sustainability practices.

### 2010 Results

As part of our long-standing commitments to sustainable practices and educational enrichment, United Technologies made a multiyear, multimillion-dollar commitment to serve as the founding sponsor of the U.S. Green Building Council's Center for Green Schools. The center will focus on the design and construction of green, energy-efficient K-12 schools, colleges and universities throughout the United States.



*"The Center for Green Schools will be our greatest initiative since LEED,\* and we are once again proud to have UTC as a founding partner."*

Rick FedRizzi, **President, CEO & Founding Chairman, U.S. Green Building Council**

*\*Leadership in Energy & Environmental Design (LEED) is a green building certification system developed in 1998.*

# Sustainability Goals and Progress

**T**HE DRIVING FORCE BEHIND UTC's environment, health and safety (EH&S) goals is the belief that our workplaces should be free from all hazards and that the environmental impact of our products, factories and suppliers should be minimized and, where possible, eliminated. Since our first EH&S goals were established in 1991, United Technologies has improved employee health and safety, significantly reduced hazardous waste and air emissions, and reduced the environmental impact of our products.

2010 marks the end of our most recent EH&S goal period. In 2006, we built on our previous program and set new, aggressive performance targets, including the launch of our first supplier targets to better drive EH&S performance across our supply chain. We also introduced targets for improving energy efficiency, reducing packaging

and continuing efforts to eliminate materials of concern in new products. As a result of many employee initiatives, by the end of 2010, we had exceeded our environmental, safety and supplier goals, and made significant progress against our compliance and product goals. Safety is an important metric for us. We are pleased that UTC has decreased employee work-related injuries every year since 1991. Sadly, six UTC employees lost their lives in 2010. While our safety improvements are notable, we will never be satisfied until every employee returns home safely.

## 2007 – 2010 Results

Led by employees in Collierville, Tenn., **Carrier** reduced evaporative lubricant use by nearly 600 tons across its manufacturing facilities. **B. ratt & Whitney** employees in Middletown, Conn., and **Hamilton Sundstrand** employees across four sites reduced water consumption by 4.3 million gallons and 15 million gallons, respectively. Our critical suppliers also have made great strides. Almost all 1,751 suppliers participating in our supplier EH&S program are meeting key performance metrics. To learn more about how we achieved these results and to track our progress on other initiatives, visit [www.utc.com/responsibility](http://www.utc.com/responsibility)

SITE ENVIRONMENTAL	HEALTH, SAFETY & COMPLIANCE	SUPPLIER	PRODUCTS
We are re-examining our 2010 goals to include absolute targets for air, water, energy, greenhouse gases, and waste with a continued focus on environmental impact and cost reduction. The reductions will be measured against the 2006 baseline.	We are re-examining our 2010 goals to include subcontractors and all regulatory compliance events. We are targeting the elimination of certain and chemical exposures, and making all UTC facilities tobacco free by 2015.	We are continuing to focus on supplier health, safety and compliance expectations. We are working with suppliers to share knowledge and expertise on Supplier Energy & Greenhouse Gas Reduction.	We are implementing a design-for-sustainability process and setting a goal to eliminate adverse impacts as early as possible in product design.
Doing more with less.	Advancing worker protection and compliance.	Creating competitive advantage.	Averaging expertise.

*“Working with UTC to help set its 2015 Sustainability Goals, the World Resources Institute was able to help the company further define the areas where it has the most significant impact and continue to demonstrate how sustainability is integral to its business.”*

Kirsty Jenkinson, Director, Markets & Enterprise Program, World Resources Institute



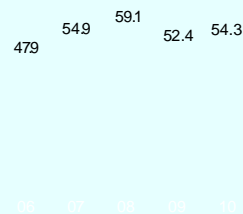
# A T A GL ANCE

## Financials

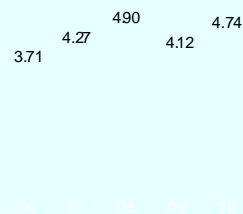
United Technologies Corporation provides high-technology products and services to the building systems and aerospace industries worldwide through our industry-leading businesses. In 2010, earnings per share increased 15 percent on strong

margin expansion and sales growth conversion. Net sales increased 4 percent to \$54.3 billion. Cash flow from operations less capital expenditures exceeded net income attributable to common shareholders.

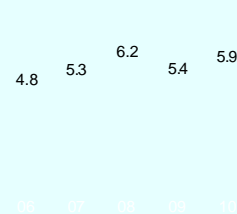
Net sales  
Dollars in billions



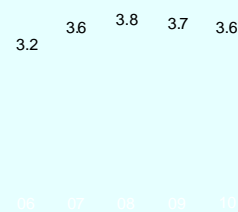
Diluted earnings per common share  
Dollars per share



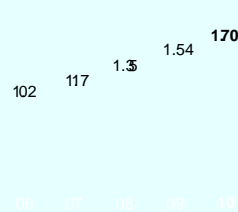
Cash flow from operations  
Dollars in billions



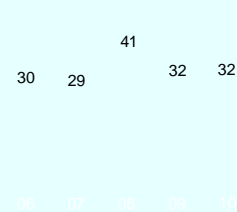
Research and development  
Dollars in billions



Dividends paid per common share  
Dollars per share



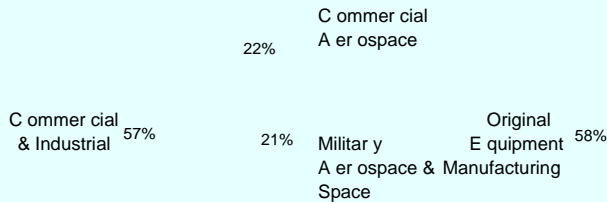
Debt to capital<sup>(2)</sup>  
Percent



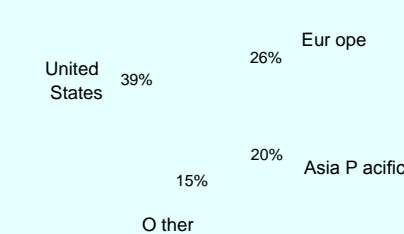
<sup>(1)</sup> Amounts include company- and customer-funded research and development.  
<sup>(2)</sup> The increase in the 2008 debt to capitalization ratio reflects unrealized losses of approximately \$4.2 billion, net of taxes, associated with the effect of market conditions on our pension plans, the beneficial impact of foreign exchange rate movement and the reduction of approximately \$1.7 billion of total debt.

Businesses in balance sheet. UTC's balanced portfolio of businesses spans geographies, markets and customer relationships.

Net sales by type as a percent of total net sales



Net sales by geography as a percent of total net sales

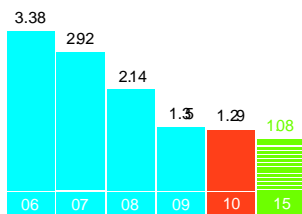


## Corporate Responsibility

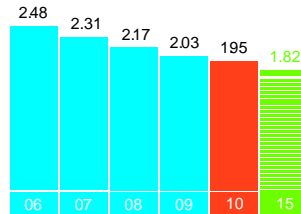
Key Performance Indicators measure UTC's sustainability goals and performance. UTC environmental reporting standards encourage the ongoing analysis and correction of data, as applicable, following the close of a reporting period. Previously reported annual environmental metric results

may change between annual reporting periods, and UTC will include any prior year data revisions in current reporting. Additional information detailing our progress is available at [www.utc.com/responsibility](http://www.utc.com/responsibility)

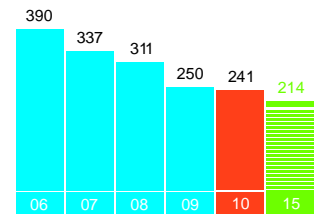
Non-greenhouse gas emissions  
Million lbs



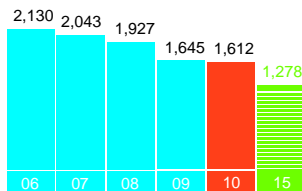
Greenhouse gas emissions  
Million metric tons CO<sub>2</sub>e



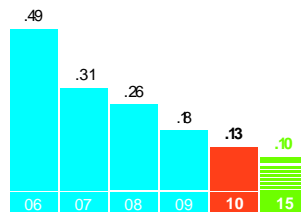
Industrial process waste  
Million lbs



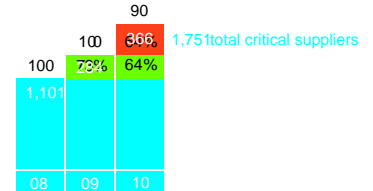
Worldwide water consumption  
Million gals



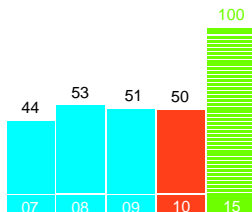
Lost workday incident rate  
Cases/100 employees



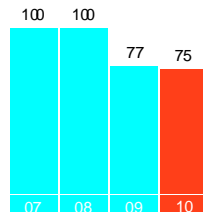
Supplier EH S  
Per cent critical suppliers meeting expectations



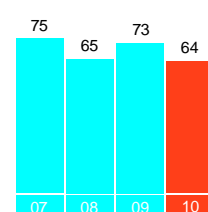
Materials of concern  
Per cent new products meeting elimination target



Packaging\*  
Per cent new products meeting 10 per cent reduction target



Energy efficiency\*  
Per cent new products meeting 10 per cent improvement target



\*These two metrics are being incorporated into the new 2015 design-for-sustainability goal.

## AWARDS/RECOGNITION

### CARRIER

**Highlights:** UTC named No. 1 **Most Admired aerospace and defense** next-generation commercial aircraft, including Bombardier's CSeries and Irkut Corporation's new MC-21.

Hamilton Sundstrand has provided nine major systems for Boeing's new 787 Dreamliner jet and continues to support testing and certification of the aircraft. Boeing's new 747-8 airliner, also equipped with Hamilton Sundstrand systems, completed key flight tests during the year.

The company will provide a new auxiliary power unit (APU) for the U.S. Navy E-6B TACAMO aircraft, which acts as an airborne command post and communications relay in times of crisis. The aircraft builds on Hamilton Sundstrand's extensive portfolio of military auxiliary power unit applications.

For the new Airbus A350-900 jetliner, Hamilton Sundstrand is developing side stick pilot controls, electrical power generation, emergency electrical power systems, cabin ventilation, overheat detection systems and the pneumatic start system for the Trent XWB engine. The Airbus A400M is undergoing flight testing equipped

with one of the world's highest horsepower propellers in production.

### O TI

UTC ranked 14th in the 2010 **Top 50 Organizations for Multicultural Business Opportunities** by DiversityBusiness.com.

validating performance expectations of its new generation of commercial jet engines, including full engine operability, engine fuel and lubrication systems, and overall mechanical characteristics. More than 260 hours of core testing also validated the performance of the PurePower PW800 engine, which is being developed for the next generation of large business jets.

In 2010, Pratt & Whitney Canada launched a compressor demonstrator program for an all-new advanced turboprop engine aimed at power for the next generation of regional turboprop aircraft. Like the PurePower family of engines, it is expected to set new standards for the regional market by targeting double-digit reductions in fuel burn and environmental emissions over the current fleet. The company will begin testing in 2011.

A Center of Excellence has opened in Istanbul to offer customers in the region advanced engine maintenance, repair and overhauls. The Pratt & Whitney Turkish Engine Center was built to the highest in recognition of UTC's generous and longtime support for fire prevention and public safety in New York City.

### UT C FIRE & E CURITY

for international markets. The Mielec facility is on track to deliver the S-70i to its launch customer, the Kingdom of Saudi Arabia, beginning in 2011.

Saudi Arabia's Ministry of Interior also will purchase 12 S-76D helicopters, with an option to purchase an additional eight. The S-76D helicopter is the next-generation model of the popular S-76 helicopter, which has been in service since 1979. Like its predecessor, it will be especially suited for corporate, helitaxi, and offshore crude oil and natural gas support missions. First deliveries are scheduled for 2012.

The first flight of the Sikorsky Autonomous Formation Flying (AFF) system was achieved during the year. The AFF system reduces a helicopter pilot's workload by automating routine formation flight.

During the year, the company began testing key systems to be installed on the CH-53K helicopter, the new heavy-lift aircraft being built for the U.S. Marine Corps. The systems will be tested in Sikorsky's third fly-by-wire systems integration lab, a state-of-the-art facility that

with one of the world's highest horsepower propellers in production. The propeller is built by Hamilton Sundstrand's Ratier Figeac unit. Hamilton Sundstrand also is providing the auxiliary power unit and the secondary electrical power distribution center and electric ram air turbine.

During the year, NASA awarded Hamilton Sundstrand a contract worth up to \$729 million to supply and maintain its space suits.

Hamilton Sundstrand's industrial business, which comprises Milton Roy, Sullair and Sundyne, is recognized as a global leader in critical pump technologies and compressed air solutions. In addition to meeting demand in a wide range of developed markets, these products are used extensively in the infrastructure of the world's emerging economies.

This report and its associated web content at [utc.com](http://utc.com) provide detailed examples of how our approach to integrating responsibility into our operations drives results.

Your feedback is important to us. Please tell us what you think of our financial and corporate responsibility performance and reporting. A response form is available at [www.utc.com/responsibility](http://www.utc.com/responsibility).

United Technologies Corporation and its subsidiaries' environmental standards and was awarded Gold certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED).

Pratt & Whitney's EcoPower engine wash system has now expanded to India. EcoPower systems save customers money by improving engine performance and reducing carbon dioxide emissions. In 2010, more than 6,500 EcoPower washes were completed, a 26 percent increase over the previous year.

Pratt & Whitney Rocketdyne, which has been a NASA partner since the agency's inception, received a \$60.3 million contract to continue maintaining the space shuttle's main engines.

The cover and narrative section are printed on Monadnock Astrolite PC FSC, made with 100 percent post-consumer recycled content, using 100 percent renewable electricity and manufactured carbon neutral. The financial section is printed on Domtar PCW Opaque Recycled FSC, utilizing up to 30 percent post-consumer recycled content and made with improved energy efficiency and the use of cogeneration and hydroelectricity.



Mixed Sources  
Controlled  
No Deforestation  
No Peat  
No High Conservation Value  
Areas

rings together a team of experts across different disciplines and joins them with the design, test and flight test teams to enable a smooth integration into the flight test program.

Sikorsky Aerospace Services (SAS) continues to advance its goal of becoming the most comprehensive aviation support company in the world. In 2010, it formed a joint venture to provide world-class military aviation maintenance, repair and overhaul services to the United Arab Emirates armed forces and other military operators internationally. It also signed an agreement to authorize a customer service center in Mumbai, India. SAS expanded its portfolio by acquiring LifePort, a premier aftermarket OEM (original equipment manufacturer) that specializes in mission equipment.





## **GLOSSARY OF TERMS AND ABRIVIATIONS**

A.D.	: Anno Domini
B.C.	: Before Christ
BCG	: Boston Consulting Group
BEE	: Bureau of Energy Efficiency
CA	: Corporate Accountability
CC	: Corporate Citizenship
CFC	: Chlorofluro Carbon
CG	: Corporate Governance
CII	: Confederations of Indian Industry
CRM	: Cause Related Marketing
CSI	: Corporate Social Investments
CSM	: Center for Social Market
CSP	: Corporate Social Performance
CSR	: Corporate Social Responsibility
DJSI	: Dow Jones Sustainability Index
EVA	: Economic Value Addition
FICCI	: Federation of Indian Chambers of Commerce & Industry
GCC	: Global Corporate Citizenship
GDP	: Gross Domestic Products
GOG	: Government of Gujarat
GWP	: Global Warming Potential
HDI	: Human Development Index

HFC	: Hydro chlorofluro carbon
HVAC	: Heating, Ventilation and Air-Conditioning
IFC	: International Finance Corporation
IFPRI	: Indian Food Policy Research Institute
IIM	: Indian Institute of Management
IPCC	: Intergovernmental Panel of Climate Change
ISHRAE	: Indian Society of Heating, Refrigeration, Air-conditioning Engineers
JARN	: Japan Air-Conditioning Refrigeration News
LEED	: Leadership in Energy and Environment Design
MOU	: Memorandum of Understanding
NGO	: Non Government Organization
UAE	: United Arab Emirates
UK	: United Kingdom
UNICEF	: United Nations Children Fund
UNIDO	: United Nations Industrial Development Organizations
USA	: United Stats of America
UTC	: United Technologies Corporations
ODP	: Ozone Depletion Potential
PAC	: Packaged Air-Conditioners
PPP	: Public Private Partnership
PSE	: Public Sector Enterprise
RAC	: Room Air-Conditioners
R&D	: Research and Development

SEP	: Sustainable Enterprise Partnership
TBEM	: Tata Business Excellence Model
TBLR	: Triple Bottom Line Reporting
TERI	: The Energy Research Institute of India
Tr./TR.	: Tone of Refrigeration
WERS	: Workplace Employment Relations Survey

## **BIBLIOGRAPHY.**

- 1 Advani, A.M. (2008). 'Corporate Social Responsibility', 'Communer' Employee Magazine M/s Blue Star Ltd.
- 2 Abowd, J., Milkovich, G. and Hannon, J. (1990). 'The effects of human resource management decisions on shareholder value'. *Industrial and Labor Relations Review*, 43, 203–36.
- 3 Bennett A., Chakravarti A. "Self and Social Signaling Explanations for Consumption of CSR-Associated Products" *Advances in Consumer Research (Volume 35)* / 1011
- 4 Berman, S. L., Wicks, A. C., Kotha, S., and Jones, T. M. 1999. "Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance." *Academy of Management Journal* 42:488–506.
- 5 Birla K. (2008) "Corporate Social Responsibility and Role of Government" *Economic Times* March, 17 2008
- 6 Brammer, Stephen, Andrew Millington, and Bruce Rayton. 2006. Do CSR policies affect employees' commitment to their organisations? . *People Management* 12 (3):52-52.
- 7 Brammer, Stephen. J. and Pavelin, Stephen. (2006). 'Corporate Reputation and Social Performance : The importance of Fit' , *Journal of Management Studies* 43:3 2006
- 8 Bennett A., Chakravarti A. "Self and Social Signaling Explanations for Consumption of CSR-Associated Products" *Advances in Consumer Research (Volume 35)* / 1011
- 9 Bowen, H. R. (1953), "*Social Responsibilities of the Businessman*" , New York, Harper-Row
- 10 Brown, T. J., and P. A. Dacin (1997), "The Company and the Product: Corporate Associations and Consumer Product Responses", *Journal of Marketing*, 61 (t), 68-84.
- 11 Calafell, V. J., Gutierrez M.S., Lopez S. ( 2006): " Social Responsibility and Accounting a possible binomial" *International Advances in Economic Research* (2006) 12: 125-130
- 12 Carroll, A.B. (1979). 'A Three dimensional conceptual model of corporate performance', *Academy of Management review*, 4

- 13 Carroll, Archie B. (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, Business Horizons, July-August 1991
- 14 Clarkson M.B.E (1995) : ‘A stakeholder framework for analyzing and evaluating corporate social performance’ *Academy of management review*. 20:1 92-117
- 15 Clinebell, S. and Clinebell, J. (1994). ‘The effect of advanced notice of plant closings on firm value’. *Journal of Management*, 20, 553–64.
- 16 Collier J., Esteban R. (2007) : “Corporate Social Responsibility and Employee Commitment” : *Business Ethics*: January 2007 Volume 16 number 1
- 17 Cooper Donald R, Schindler Pamela S. : “Business Research Methods” Tata Magrawhill publication. 9<sup>th</sup> Edition.
- 18 David Waldman, Donald S. Siegel, and Mansour Javidan (2006). “Components of CEO Transformational Leadership and Corporate Social Responsibility,” *Journal of Management Studies*, Vol. 43, No. 8, pp. 1703-1725
- 19 Deveshwar, Y.C. (VP-CII) (2005), Corporate Social Responsibility for business : *Economic Times* 17 March 2008
- 20 Drucker, P. F. (1984) ‘The new meaning of corporate social responsibility’, *California Management Review*, 26: 2, 53-63.
- 21 Donaldson, T. and Preston, L. (1995). ‘The stakeholder theory of the corporation: concepts, evidence, and implications’. *Academy of Management Review*, 20, 65–91.
- 22 E Neville Isdell (2007)  
[http://www.karmayog.org/newspaperarticles/newspaperarticles\\_13525.htm](http://www.karmayog.org/newspaperarticles/newspaperarticles_13525.htm)
- 23 Ferrell, C , Fredrich, J. and Ferrell, L. (2002). *Business Ethics : Ethical decision making and cases* : Boston, MA: Houghton Mifflin.
- 24 Freeman, R. E., Gillbert (1988). *Strategic Management: A Stakeholder Perspective*. Englewood Cliffs,NJ: Prentice Hall.
- 25 Friedman, M (1970). ‘The Social responsibility of the business is to increase profit’ . *New York times Magazine* , 13, September 122-6.

- 26 Friedman T. (2006) “ Hot , Flat and Crowded” Penguin Publications.
- 27 Fox.T. Ward.H. Howard.B. (2002). *Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study*: International Institute of Environment and Development
- 28 Goswami O. (2008) “ For-God-Sake-Go” , Business world – December , 2008
- 29 Hay R, D & Gray E, R (1977) : Business and Society, Cincinnati South-Western Publishing CO. 1981.
- 30 Hart, S. (1995). ‘A natural resource-based view of the firm’. *Academy of Management Review*, **20**, 986–1014.
- 31 Hardeep C., and Sharma R.D., :(2006) “ Implications of CSR on Marketing Performance a Conceptual framework” *Journal of Services Research*, Volume 6, Number 1 (April 2006 - September 2006) Institute for International Management and Technology.
- 32 Holt, Douglas B. (1995), “How Consumers Consume: A Typology of Consumption Practices,” *Journal of Consumer Research*, 22 (June), 1-16.
- 33 Hovland, C. I., and W. Weiss (1951), "The Influence of Source Credibility on Communication Effectiveness", *Public Opinion Quarterly*, 15,625-650.
- 34 Intergovernmental Panel of Climate Change Report (IPCC Report) : 2001
- 35 Jadeja,(Dr.)J .D. (1992). ‘Approaches towards the Social Responsibility in the Industrial Houses of Gujarat’, Sardar Patel University , Vallabh Vidyanagar.
- 36 Jensen, M. and Meckling W. (1976) : “Theory of the Firm: Managerial Behavior Agency Costs and Ownership Structure : <http://www.sfu.ca/~wainwrig/Econ400/jensen-meckling.pdf>.
- 37 Jhangiyani H. (2009) : JARN, Japan Air Conditioning, Heating and Refrigeration News,
- 38 Jones, T. (1995). ‘Instrumental stakeholder theory: a synthesis of ethics and economics’. *Academy of Management Review*, **20**, 404–37.

- 39 Kotler, P. Lee N. (2005). 'Corporate Social Responsibility : Doing the most good for your company and your cause ' : Hoboken New Jersey : Wiley, 2005
- 40 Leo Hindery Jr. and Curt Weeden (1998) Corporate Social Irresponsibility  
<http://www.businessandnonprofit.com/media/CSRBusinessWeek.pdf>
- 41 Lantos, G.P. 2001. The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing* 18 (7), 595-630.
- 42 Luck, D.J. and Rubin, R.S. (1987). 'Marketing Research' , Seventh Edition, Prentice - Hall.
- 43 Maignan I, Ferrell O.C. and Hult, G.T.M (1999) : Corporate Citizenship :Cultural antecedences and business benefits : *Journal of Academy of Marketing Science* (27) Fall) 455-469
- 44 Maira A. (2007) **21st century business responsibilities.**  
<http://www.karmayog.org/newspaperarticles/newspaperarticles21765.htm>
- 45 Marsden and Andriof, (1998) : "*Towards an Understanding of Corporate Citizenship and How to Influence It*, p. 3. Waddock, 2004, "Creating Corporate Accountability."
- 46 McGunie, J. (1963), "*Business and Society*", New York, McGraw- Hill.
- 47 Maignan I, Ferrell O.C. and Hult, G.T.M (1999) : Corporate Citizenship :Cultural antecedences and business benefits : *Journal of Academy of Marketing Science* (27) Fall) 455-469
- 48 McIntosh, M., Leipziger, D., Jones, K. & Coleman, G. (1998) : "Corporate Citizenship, Successful Strategies for Responsible Companies. London: Financial Times/Pitman Publishing.
- 49 McWilliams, A. and Siegel, D. (2001). 'Corporate social responsibility: a theory of the firm perspective'. *Academy of Management Review*, 26, 117-27.
- 50 Menon S., Kahn B,E. (2003) "Corporate Sponsorships of Philanthropic Activities: When do they impact perception of sponsor brand?" *Journal of Consumer Psychology* 13(3), 316-327
- 51 Mohr, L. A., Webb, D. J. and Hards, K. E. (2001). Do Consumers Expect Companies to be Socially Responsible? The Impact of Corporate Social Responsibility on Buying Behavior. *The Journal of Consumer Affairs*, Summer, 45-72



- 52 Mukharjee, N. (2009). 'A partial Eclipse , the growth paradox', India Today , April 6 2009
- 53 Nupur, A. (2009) : Paper Presented at Corporate Social Responsibility Seminar : VNSGU : 27 Jan 2010. "A Role of Government in CSR"
- 54 Parekh, D. "Role of Govt business and civil society in building sustainable communities. Integrated approach to social responsibility" Economic Times Mumbai March 17,2008 P.17
- 55 Pachauri. R K (2008) "Role of Govt business and civil society in building sustainable communities." Perils and progress: Redefining our roles – Economic Times March 17 2008
- 56 Paola Perez-Aleman, Marion S. (2008) : "Building value at the top and the bottom of the global supply chain MNC-NGO partnerships" California Management Review Vol 51 No.1 Fall 2008
- 57 Pendlenton A., Deakin S. (2004) : "Corporate Governance and work place employment relations : the potential of WERS 2004" : Industrial Relations Journal 38:4 , 338-355.
- 58 Pryce Vicky (2002) : "CSR-should it be the preserve of the usual suspects?" Blackwell Publishers Ltd. (2002) Volume 11 No 2 Page : 140:142
- 59 Quattrone, G, A. and Amos T. (1984), "Casual Versus Diagnostic Contingencies: On Self-Deception and on the Voter's Illusion." *Journal of Personality and Social Psychology* 46(February), 237-248.
- 60 Raut A. (2009) "Study of Airconditioning Industry in India." Indian Journal of Marketing.
- 61 Remi T., June C., (2009) : "Does it pay to be Good?" : MIT SLOAN Management Review Winter 2009 :P.p. 61:67
- 62 Rick Sarre Meredith Doig and Brenton Fiedler (2001) : <http://onlinelibrary.wiley.com/doi/10.1111/1467-6303.00068/abstract>
- 63 Russo, M. and Fouts, P. (1997). 'A resource-based perspective on corporate environmental performance and profitability'. *Academy of Management Journal*, 40, 534–59.
- 64 Sen, S., and C. B. Bhattacharya (2001), "Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility", *Journal of Marketing Research*. 38,225- 243.

- 65 Sharma. Mona. (2006). 'Corporate Social Responsibility Impact assessment of the selected industrial houses of Gujarat', The M.S. University of Baroda
- 66 Sherwin, D : " The ethical roots of the business system HBR, 1986 P.11
- 67 Shuili D., Sen, S., and C. B. Bhattacharya (2007), "Convergence of Interest – Cultivating consumer trust through corporate social initiatives.", *Advance in Consumer Research* Vol. 34, 687.
- 68 Siegel, Donald S.; and Vitaliano, Donald F. "An Empirical Analysis of the Strategic Use of Corporate Social Responsibility." *Journal of Economics and Management Strategy*, Fall 2007, Vol. 16, No. 3, pp. 773-92.
- 69 Singhal R (2008) "Learning **to make** profit **with** clean conscience, TOI 17<sup>th</sup> March 2008"
- 70 **Singh Manmohan : We're Off To A Good Start - Manmohan Singh : Oct 25,2007** Publication:Times Of India Mumbai;
- 71 Singh, S. (2007). 'Triple bottom line reporting and Corporate sustainability' Prentice Hall.
- 72 Smit A. (1937) : " An inquiry into the nature and causes of wealth of Nations, New York Modern Library , 1937, p. 423
- 73 SPSS Version 13.0 for windows (2009) : Coakes Sheridan J and Steed Lyndalyy Dzidic Peta – Wiley Publication New Delhi.
- 74 Stacy L,.G. and Judith Anne G,F. (2007) "The Influence of Donation Proximity and Message-Framing Cues on the Less-Involved Consumer" *Journal of Advertising* Vol. 36 No. 4 pp 19-33 , 2007.
- 75 Swaen, V. and J. Vanhamme (2003), "See How 'Good' We Are: The Dangers of Using Corporate Social Activities in Communication Campaigns", *Association of Consumer Research Proceedings*, October, Toronto, Canada, forthcoming.
- 76 Valor, C. (2005). 'Corporate Social Responsibility and Corporate Citizenship : Towards corporate accountability' : Blackwell Publishing.
- 77 Varadarajan, R. P., and A. Menon (1988), "Cause-Related Marketing: A Coalignment of Marketing Strategy and Corporate Philanthropy", *Journal of Marketing*, 52 (3), 58-74.

- 78 Warhurst, A. (2001) "Corporate Citizenship and corporate social investment drivers of tri-sector partnerships." *Journal of Corporate Citizenship* 1-57-73
- 79 Wartick, S.L. and Mahon J.F. (1994) 'Toward a substantive definition of the corporate issue construct: A review and synthesis of the literature', *Business & Society*, 33(3), 293–311.
- 80 Wood, D. J. (1991), "Corporate Social Performance Revisited", *Academy of Management Review*, 1 (4), 691-718.
- 81 Worrell, D., Davidson, W. and Sharma, V. (1991). 'Layoff announcements and stockholder wealth'. *Academy of Management Journal*, 38, 662–78.
- 82 Xiaoli N. and Kwangjun H. (2007) "Examining the Role of Brand-Cause Fit in Cause-Related Marketing" *Journal of Advertising*, vol. 36, no. 2 (Summer 2007), pp. 63–74. 2007 American Academy of Advertising. All rights reserved.
- 83 Yeosun Y., Zeynep G., Norbert S., (2006) " The Effect of Corporate Social Responsibility (CSR) Activities on Companies With Bad Reputations" *Journal of Consumer Psychology* , 16(4), 377– 390
- 84 Zeynep G.i , Batra.R (2004) : " When Corporate Image Affects Product Evaluations: The moderating role of perceived risk: *Journal of Marketing Research* Vol XLI (May 2004), 197-205