

Corporate Social Responsibility

Pachauri's take on sustainable development



According to Rajendra Pachauri, Chairman, Intergovernmental Panel on Climate Change that was honored with the Nobel Prize in 2007, the corporate sector needs to realise that upholding the interests of society is clearly in the interest of the corporates themselves. In a recent article he puts forth emphatically his perspective on one of the most debated topics in corporate circles today. We take pleasure in sharing it with you here.

Capitalism and the role of private enterprise are currently being questioned across the world, particularly after the last year's economic meltdown and the current economic recession, which has gripped the world. Criticism, which appears largely valid, focuses on the factors that led to the current crisis. There is now widespread acceptance of the fact that a lack of effective regulation of private sector activity combined with unethical decisions at the leadership level in the corporate sector have been the main cause of the current impasse. The Wall Street Journal published a news piece over a year ago listing corporations that went bankrupt in recent times and yet saw large payoffs which the senior management in those enterprises had appropriated for themselves just before bankruptcy. In the coming years, there would be a vigorous debate on how the strengths of capitalism could be used for the benefit of society, avoiding some of the evils that have become manifest in recent times. The leadership of private enterprise would, therefore, do well to reflect on a whole range of issues connected with overall corporate behaviour and measures by which the private sector can regain the trust of the public at large.

If one examines recent trends in corporate philosophy and decision-making, it is felt that business leaders have been exhibiting an increasing preoccupation with myopic goals and narrow targets. Mahatma Gandhi defined the nature of ownership of private capital akin to trusteeship of social enterprise. His lofty view of corporate philosophy clearly emphasised the responsibility that the private sector has towards meeting much larger and much longer-term social goals. While we have conveniently forgotten most of Gandhiji's thoughts and deeds, there is, even for the benefit of the owners of business themselves, great merit in reminding ourselves of his enlightened view of ownership of private capital. In some sense, the growing acceptance of corporate social responsibility as an important part of business activity is an acknowledgement of Gandhian philosophy. However, it is also true that much of what is projected by corporate organisations as their dedication to objectives of social responsibility are generally devoid of real substance.



The time has come for corporate organisations to realise the importance of in-depth scrutiny of all their actions by civil society and their own interests in articulating and implementing a genuine programme of corporate social responsibility. In an age when deviant corporate behaviour is highlighted instantly and information about it

disseminated through the internet and other instant communication channels, misbehaviour by corporate entities cannot be forgiven. There have been, in recent times, many examples of well-established and successful organisations losing public trust and market strength on account of negligence of social norms or even unethical practices. Environmental damage caused by some of the largest oil companies is well known. In our own country, the poor record of industry in general ruining several water bodies, both on the surface and underground can hardly be ignored. However, even though civil society in India has become increasingly active in whistle blowing, redressal of irresponsible actions on the part of corporate organisations seldom takes place on a timely or adequate basis. However, the day is not far when the public, supported ably by an increasingly active media, would ensure that irresponsible corporate behaviour will not remain hidden or neglected.

Corporate organisations need to realise that upholding the interests of society is clearly in the interest of these organisations themselves. It has been said that business cannot succeed in a society that fails. This adage is not only symbolic of today's challenges, but is brought to our consciousness through several historical developments. In the past, societies have failed right from the days of the Roman Empire to the Mayan civilisation largely because they neglected the importance of conserving precious natural resources such as water and soil. The pattern of development pursued by the developed nations since industrialisation and mindless emulation by the developing countries has proven to be unsustainable in several respects. The problem of climate change — the outcome of cumulative emissions of greenhouse gases, with carbon dioxide being the most dominant — was brought about by industrialisation based on the use of fossil fuels. As a result of assessments carried out by the Intergovernmental Panel on Climate Change (IPCC), there is now adequate understanding of the scientific reasons underlying climate change and their impacts that could cause large scale damage. There is also acceptance in most countries and by most world leaders of the need to rapidly reduce emissions of greenhouse gasses. Efforts in this direction will involve an international agreement expected to be reached in Copenhagen in December this year along with a major shift in government policies and actions by corporate organisations and civil society. Since the world would move towards a low-carbon future, it would be in the interest of companies all over the world, including in India, to develop low-carbon technologies, products and processes.

India today is at a stage where it can make a range of choices, including those that would ensure sustainability. The corporate sector must not only lead in this effort as its duty to Indian society, but also as a measure of enlightened self-interest, since future markets worldwide would favour products and services that subserve the objectives of sustainability. It would be a sad development if Indian society and the corporate sector in particular were to blindly follow the record of what wellknown scientist Paul Ehrlich refers to as mal-developed societies.

An important ingredient for ensuring proper analysis of future options and for informing the public at large on the implications of today's decisions on the future of

Indian society would be to foster centres of excellence and institutions that provide high level intellectual endeavour to support the government and business enterprises in their efforts to move along the path of sustainable development. The corporate sector can play an important part in establishing such institutions of excellence, particularly since their record in this regard has been far less than noteworthy. There are exceptions like the Birla Institute of Technology and several institutions established by prominent corporate houses. It is only on the basis of on-going and rigorous research that society at large and corporate organisations in particular would be able to make critical choices that support the welfare of society, while at the same time safeguarding the interests of shareholders. In a major project undertaken by TERI on the eve of celebration of fifty years of India's independence in 1997, a detailed assessment was carried out of the country's record of managing our natural resources. The results of this extensive analysis showed progressive damage and degradation of the country's natural resources including forests, biodiversity, water resources, clean air and healthy soils. On the basis of the economic estimation of this damage, it was concluded that India was losing over 10% of its GDP annually in the form of depletion of natural resources. Such a trend at some stage will start imposing major costs on business and industry, and therefore there is a clear conformity of interest between shareholders in business enterprises and stakeholders in society.

Even though civil society and the non-government sector in India have a remarkable record of service to the country, it is unfortunate that while most of them very ably highlight and expose problems in the system they seldom work on providing solutions. It is in this context that research organisations with a deep commitment to bringing about transformation of Indian society need to create intellectually sound and socially relevant solutions that could be replicated and disseminated for the benefit of this diverse country. Perhaps the corporate sector should take initiatives towards the establishment and strengthening of such institutions. This is an imperative if India is to succeed globally as a leader in the knowledge society of the twenty-first century. (Economic Times, 21 September 2009).