

# **EURASIAN JOURNAL OF BUSINESS AND MANAGEMENT**

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## **MEASUREMENT OF CSR PERFORMANCE OF THE CORPORATE LOCATED IN TALEGAON INDUSTRIAL BELT, PUNE, INDIA<sup>†</sup>**

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### **Abstract**

Being socially responsible is now a business obligation for by corporate entities. Today, about 90% of leading companies in India are involved in various CSR programmes such as working for education, health, empowerment of women and environment. Recently, CSR has evolved from philanthropy to a business related phenomenon because the new CSR concept with gaining some strategic advantage and sustainability has been widely recognized. This article examines whether corporates in India (including multinationals operating business in India) are practicing strategic CSR based on the survey conducted in Talegaon Maharashtra Industrial Development Council (MIDC) in Pune, India. Also, we try to measure the community impact socially and economically. The result shows that the most of the companies in Talegaon still practice a philanthropic approach but they have made improvement on community impact from 2011 to 2013. After the action research and intervention, some companies started a developmental and strategic approach for their community. It can be concluded that the quantity and area of CSR have been increased according to the community needs and community participation is very important to conduct CSR.

**Keywords:** Corporate Social Responsibility (CSR) Measurement, Community Participation, Strategic Approach

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### **1. Introduction**

Corporate Social Responsibility (CSR) has become the compulsory process of every business these days (Ali *et al.* 2010). It has also become the buzzword to not only overcome competition but to ensure sustainable growth (Van De Ven, 2008). It has been supported by all stakeholders and encompassing the whole Community (Valentine and Fleischman, 2008). As philanthropic CSR, how it has been perceived by the communities and how much it has helped their needs and development is important. As corporate, how they take care of the indirect responsibilities

<sup>†</sup> This work was supported by (JSPS) KAKENHI (23402051) [Grant-in-Aid for Scientific Research (B)]

which they have powered and influence on the life of the communities is their great concern (L'Etang, 1995; Rondinelli and London, 2002).

Nowadays, CSR is an expectation about the needs and objectives of the society higher than economic viewpoint. Carroll (1999) introduced a three level model about the definition of corporate social performance and differentiated the corporate various actions:

- Social obligations (response to market and legal limitations)
- Social responsibility (compatible with social norms)
- Social accountability (compatibility and participation in the society)

## **2. Measuring Corporate Social Responsibility (CSR)**

CSR measuring methods: What is not measured is not managed is a well-worn management catchphrase (Munoz and Kumar, 2004, p.27) so measuring CSR as a managerial topic is necessary. Carroll (1991; 1999; 2000) claimed that corporate social performance should be measured as an important subject to both business and society and the important matter is development of valid and reliable measures (Arevalo and Fallon, 2008; Turker 2008). During recent decades, businesses and academic communities have paid increasing attention to measure the socially responsible actions of organizations (Rappaport, 1998; Capelle-Blancard and Couderc, 2009). However, it should be noted that there is no single best method to measure corporate social activities (Wolfe and Aupperle, 1991; Turker, 2009). Waddock and Graves (1997) indicated the difficulties of measuring corporate social performance and evaluated the alternative ways, such as document content analysis, reputation indices and scales, instruments of forced-choice survey, behavioral and perceptual measures and case study. These alternative ways were categorized into three main procedures of expert evaluations, single and multiple-issue indicators and managers' surveys by Maignan and Ferrell (2000). The following procedures are proposed as feasible to measure CSR by extending the last-mentioned classification: single and multiple-issue indicators, content analysis of corporate publications, reputation indices or databases, scales measuring CSR at the individual level and scales measuring CSR at the organizational level (Rondinelli and London, 2002; World Business Council, 2012).

Kullback–Leibler Divergence (KLD) rates firms, which traded on the US stock exchange based on eight attributes of social actions: community relations, employee relations, environment, product, treatment of women and minorities, military contracts, nuclear power and South Africa. Fortune's reputation index also suggests a systematic instrument for assessing socially responsible actions from a managerial viewpoint (Social Accountability International, 2012).

In Indian industrial development context, the Kirloskar Group of companies is the name with good brand and social perspective base. The Kirloskar philosophy is based on the social development and the group started more than 100 years before with an objective of social development. The group has started the healthy competition for the Kirloskar group companies and makes more change in the social development by keeping the business growth intact.

## **3. Methodology and Model**

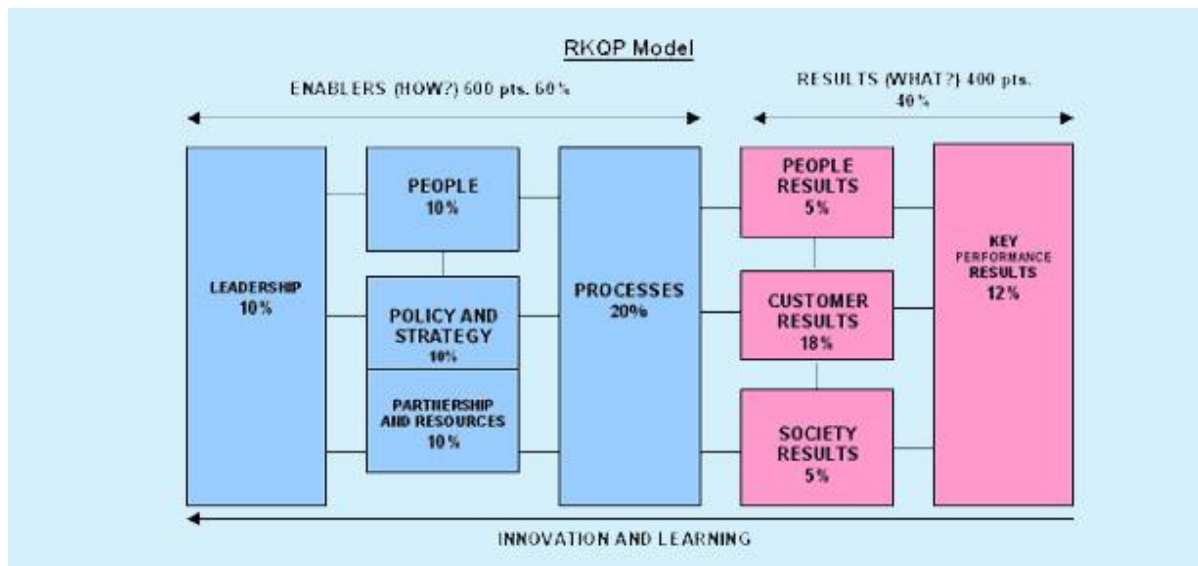
Rationale for Adopting CII-EXIM Bank Award Model is for measuring the CSR impact and perception of the communities in Talegaon MIDC (Maharashtra Industrial Development Corporation)

The model is comprehensive in scope and touches all aspects of business excellence. Emerging after successful and proven models such as Edward Deming and Malcolm Baldrige, (The Deming Prize is Japan's national quality award for industry), it combines the strengths of

both these models. The model believes in time-tested principle that excellent results with respect to business performance, customers, people and society are achieved by leadership driving the company's policy and strategy, effective people management, value adding partnerships with customers and suppliers and adoption of cost effective processes.

The RKQP Excellence Model is a non-prescriptive framework based on 9 criteria. Five of these are 'Enablers' and four are 'Results'. The 'Enablers' criteria cover what an organization does. The 'Results' criteria cover what an organization achieves. 'Enablers' cause 'Results' and 'Enablers' are improved using feedback from 'Results'. The Model, which recognizes there are many approaches to achieving sustainable excellence in all aspects of performance, is based on the premise that excellent results with respect to performance, customers, people and society are achieved through leadership driving policy and strategy that is delivered through people, partnerships and resources, and processes.

The RKQP Model lays more emphasis on means (termed as "Enablers") under the model than "Results". The importance given to these vital elements viz. Enablers and Results are in the ratio of 60:40 under the revised model. The RKQP Model is presented in diagram form as shown below (Figure 1). The arrows emphasize the dynamic nature of the Model. They show innovation and learning helping to improve enablers that in turn lead to improved results.



**Figure 1. RKQP model**

Source: CII-EXIM Bank Award Model 2010 by Kirloskar Pneumatic Co.Ltd.

In the study, the performance of the industries of Talegaon MIDC has measured on the 4 parameters as per the RKQP as society result

- Performance as a responsible citizen
- Company's involvement in the community development
- Environmental and natural resources conservation by companies
- CSR programme impact on the community development

## 4. Survey

### 4.1. Objectives of the Study

- To study the perception of community towards the CSR programmes implemented by the companies of Talegaon MIDC
- To study the companies commitment and involvement in the community development
- To study the level of community participation in developing CSR
- To measure the performance of the companies and compare 2013 with 2011-2
- To study the impact of CSR programme on community development

### 4.2. Hypothesis of the Study

We believe that community voice is the priority to plan CSR because the community is the most important stakeholder if the objective of CSR is sustainability of corporate and social development.

- The more company's involvement in the community development takes places, the better impact on people, social and economic development is obtained.
- Community participation is important to plan the CSR strategies and implementation of programme.

#### 4.2.1. Methodology

The stakeholder's perception has been collected for the society perception survey. The stakeholders were selected from the community of Talegaon Industrial Belt, Pune.

*Coverage of the Survey:* MIDC, Talegaon Industrial Belt, Pune.

*Sample:* Talegaon MIDC has been selected for the study as this is mostly the automobile company hub and relatively new MIDC of the Pune Industrial belt. Almost all the multinational companies are in this industrial belt.

After a quick initial survey, companies working or conducting CSR initiatives in the community and undertaking community development programs were selected for the study. They are as follows:

- 1)JCB ( British Multinational Company)
- 2)Posco ( Korean Multinational Company)
- 3)GM ( American Multinational Company)
- 4)INA ( German Multinational Company)
- 5)L&T ( Indian Multinational Company)

100 community households and 10 community leaders have been interviewed from the villages around MIDC. Period of the study: from May to August, 2013, 2012 and 2011.

*Survey Tools:* Questionnaire – 100 respondents from the location

- Focus Group Discussion
- Observations

#### 4.2.2. Talegaon MIDC Statistical Analysis and Discussion

The five companies' performance as a responsible citizen in the industrial area of Talegaon MIDC was tried to analyze through the responses of individuals in the community of their operation on four sub- parameters. They are as follows;

- Relationship with relevant authorities ( Local Self Government )
- No discrimination and equal opportunities while conducting the CSR programmes
- Building and maintaining positive relationship with community members
- Corporate paying attention to its social responsibilities

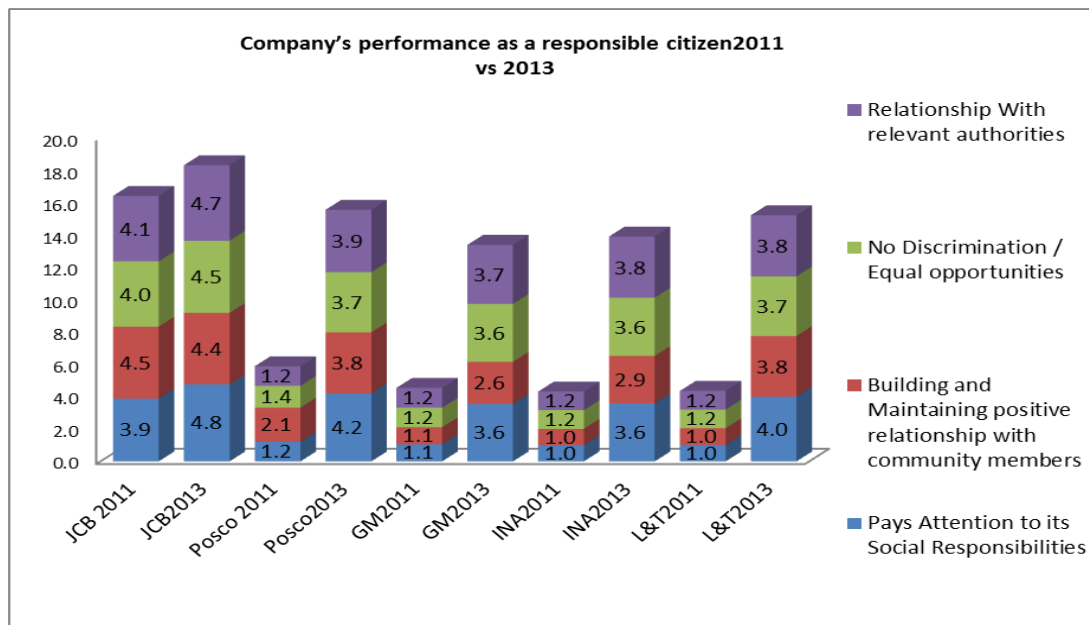


Figure 2. Company's performance as a responsible citizen 2011 vs. 2013

Figure 2 reflects that by comparing 2011 and 2013, all the companies under study of the Talegaon MIDC have improved their performance in the area of "responsible as a good citizen".

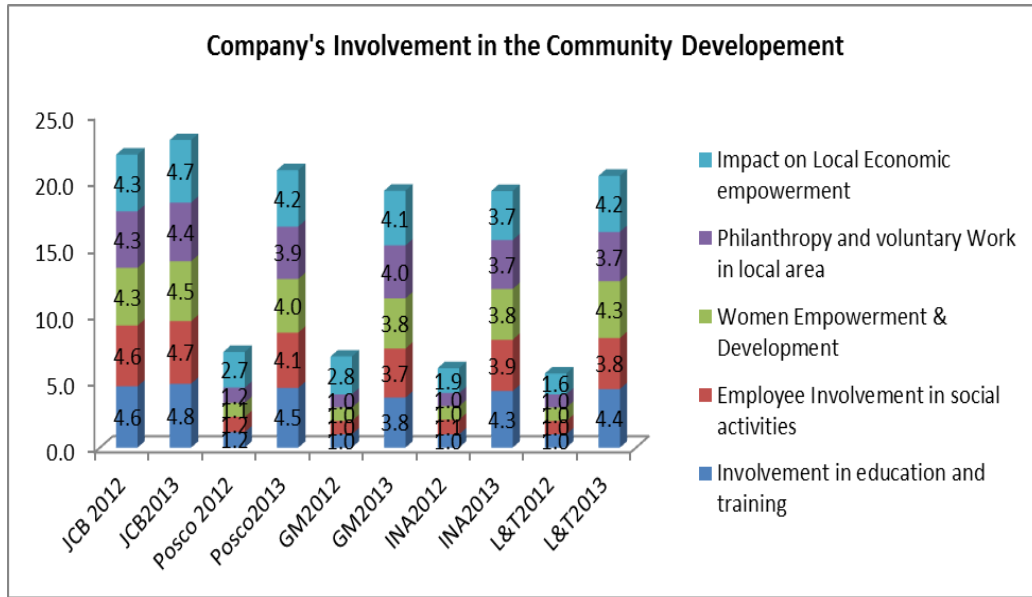
All the companies have taken efforts to build their relationship with the community members and relevant local authorities. This year, all the companies of the Talegaon MIDC have formed the association to work collectively on community development front. It is a unique move of the companies of Talegaon MIDC which shows their responsibility as a good citizen and this process is/ has been initiated without any discrimination.

#### 4.2.3. Company's Involvement in the Social Development

The survey schedule was designed as a part of it trying to find the perception of the stakeholders about the companies' effort in social work in the communities where it operates. The respondents were questioned on around eight sub-parameters as follows:

1. Involvement in education and training.
2. Employee involvement in social activities or community bodies in relevant activities.
3. Women empowerment and development.

- 4. Philanthropy and voluntary work.
- 5. Impact on local economy.



**Figure 3. Company's involvement in the community development**

Figure 3 shows that company's involvement in the community is more in 2013 compared to 2012.

This year, JCB has started support classes and women empowerment (vocational training) initiatives in the 2 villages and 6 wadis. L&T has started the mobile science laboratory for children going to school and supported the social enterprise for women where Posco provided the educational aid to school and construct the compound for school. GM conducted the meeting with the village local leader and community people. INA has initiated the scholarship for poor students.

The JCB company comparatively high in all the sub parameters as their initiatives in the wide spread area of the village and the CSR department has conducted the sustainable plan of the CSR project.

All the above companies through their association TDIA (Talegaon Dabhade Industrial Association) initiated the baseline need assessment survey in the vicinity of the MIDC with an objective to identify the actual needs of the communities.

#### 4.2.4. Environmental and Natural Resources Conservation by Companies

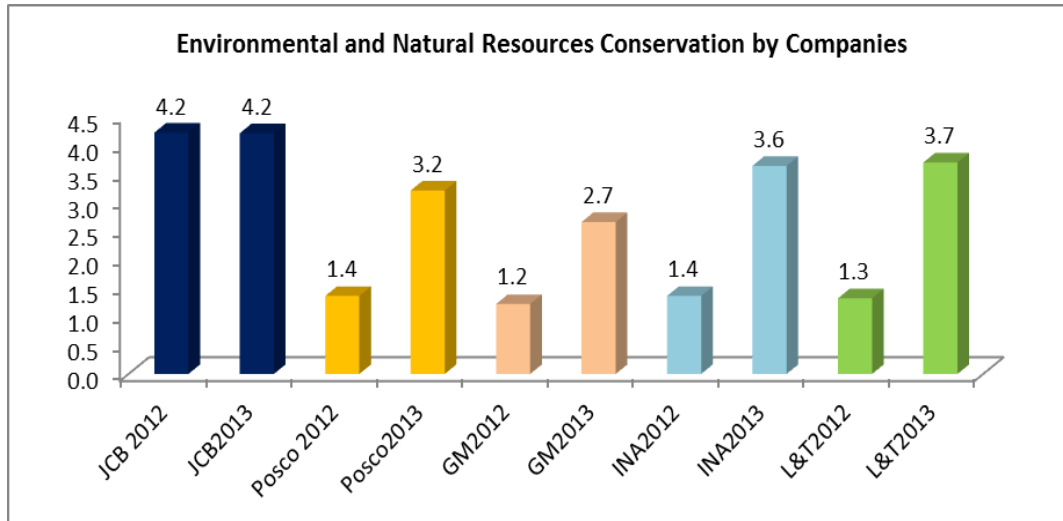


Figure 4. Environmental and natural resources conservation by companies

The corporate of the Talegaon MIDC has taken initiative to conserve the natural resources and it reflects from the above Figure 4 that in 2013 company's performance has increased in the environmental area.

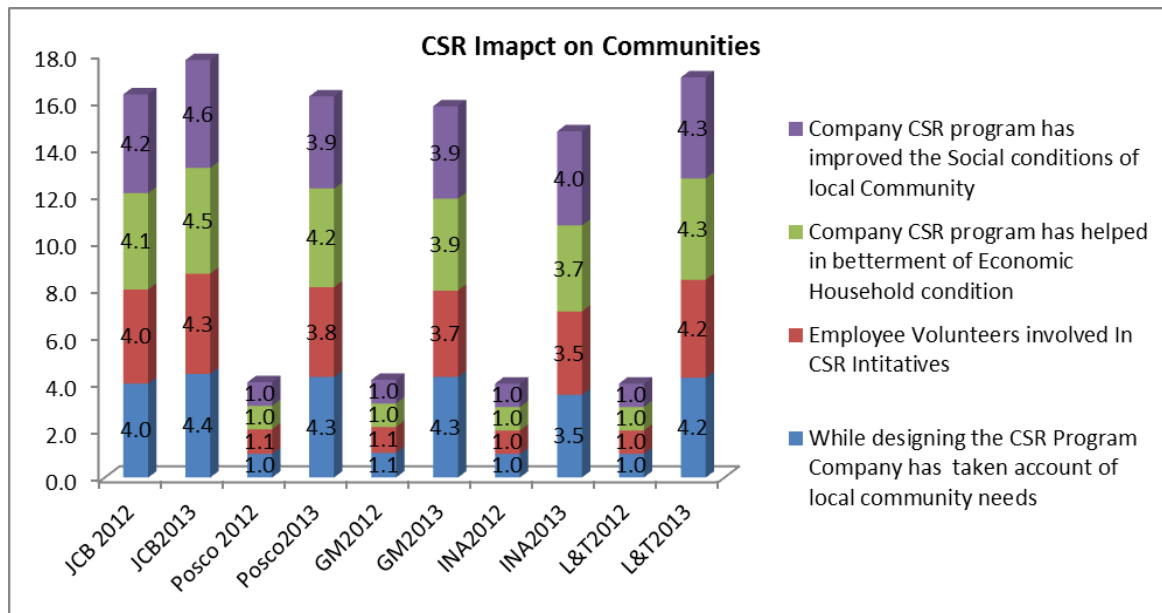


Figure 5. CSR impact on communities

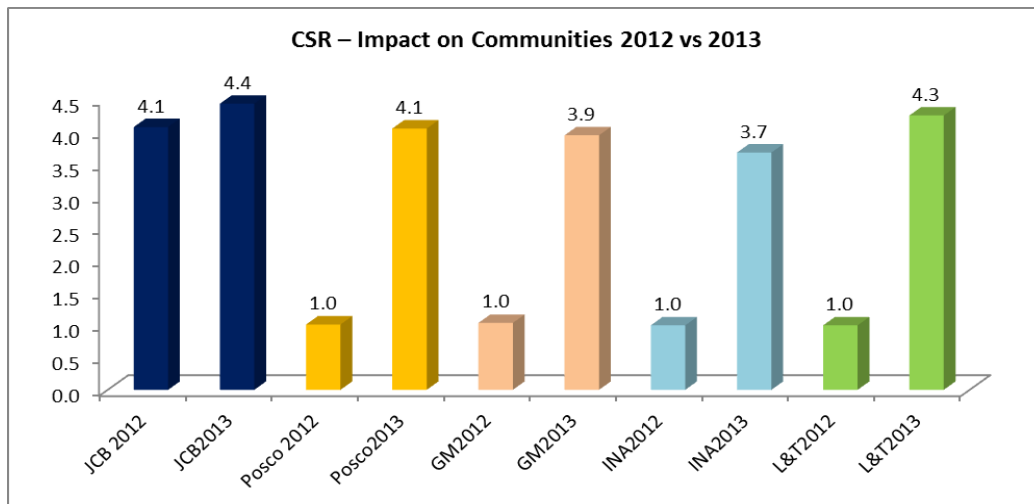
As you can see the above Figure 5, the CSR programme and initiatives for the communities have improved social and economic conditions of the communities of the respective village. The vocational training and outsourced jobs of the companies were carried out for the communities which have improved the economic condition of the families.

**Table 1. Correlations among community voice, improved social conditions, economic conditions and employee volunteering in 2013**

	Community voice: E-Volunteering	Community voice: improved social conditions conditions	E-volunteering: better economic conditions conditions
JCB 2013	0.751**	0.835**	0.665**
Posco 2013	0.443**	0.268**	0.292**
GM2013	0.535**	0.350**	0.478**
INA2013	0.208*	0.139	0.299**
L&T2013	0.573**	0.470**	0.437**

Notes: N=100 \*\* p < 0.001 \* p < 0.1

As you can see the above Table 1, correlations among community voice, improved social conditions, economic conditions and employee volunteering in 2013 are strongly significant especially in JCB whose performance is higher than other companies.

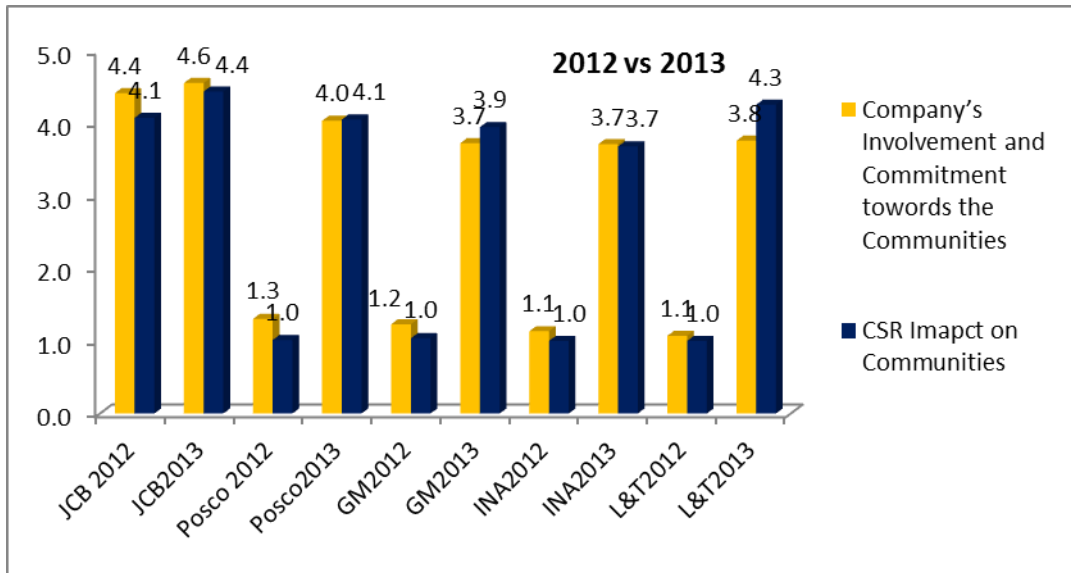


**Figure 6. CSR Impact on communities**

As you can see the above Figure 6, CSR initiatives of the respective companies have created a good social and economic impact in the communities. The companies of Talegaon MIDC have designed the CSR programmes taking into account the local community needs.

After the focus group discussions of local leaders and CSR professionals, we found that most of the companies have motivated their employees to participate in the CSR programmes and employees are glad to be getting involved in the CSR programmes.





**Figure 7. Companies involvement and commitment towards the communities**

Figure 7 indicates that the companies' involvement and commitment towards the communities have created the social and economic impact on communities.

In 2012, the impact on communities was comparatively less for all the companies except the JCB Company. In 2013, the CSR initiatives of the respective companies have improved social and economic condition of the communities.

## 5. Conclusion

We can draw the conclusion from this study that the CSR initiatives can be planned by taking the participation from the communities. In this paper, the importance of community involvement in developing the policy has been proved. In the Talegaon industrial belt, all the 5 companies have the philanthropic approach towards CSR in the year 2012 but they have started developing the CSR strategies for developing sustainable CSR.

We can also conclude that the community involvement and initiatives of the corporate can bring change into the society. In Talegaon, the most of the companies have been involved in the community development activities which have improved social and economic conditions of the local communities. -The educational aid and related facilities have been also provided by the companies under the CSR. In result, the level of education and attendance has increased in the school and women of the related communities also have got employed. In the vicinity of Talegaon MIDC, the social and economic development has improved due to the CSR initiatives of the related companies. We can develop strategic CSR beneficial for both corporate and community by participation of people and corporate commitment.

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