

## **THEME: 1. MANAGEMENT WORK AND ORGANIZATION**

### **SUB THEME: LEADERSHIP AND NEW APPROACHES TO MANAGEMENT**

#### **TITLE OF THE PAPER:**

**NEW APPROACHES TO MANAGEMENT: THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN NATIONAL ALUMINIUM COMPANY LTD. (NALCO), INDIA**

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#### **INTRODUCTION AND BACK GROUND:-**

Since 1991, we have observed a dramatic shift in the needs of business and society in general. India right now is experiencing two very major dynamics of environment. On the one hand the fast growing economy with booming national and multinational firms are creating enormous turbulence in the society. On the other hand social challenges like poverty, population growth, illiteracy, corruption in public life requires urgent address from all stakeholders of the society. With this situation the yester year's philanthropic approach of business houses has been shifted to an agenda of corporate governance of the business organization. Thus the Corporate Social Responsibility (CSR) has been moved from a "nice-to-do" to "a-must-do" (Teller, 2006). Today the ranking of business houses as far as their performance is concerned is based on their corporate services to the community, society, and environment and to the disadvantaged group of the society. They have become the deciding factors of role of corporate houses as the corporate citizen. Thus corporations are increasingly required to apply CSR by balancing the economic, social and environmental dimensions of their operations whilst building shareholders value (Aswathappa, 2005). Business organization in India started realizing it soon after introduction of Global Compact Programme, a partnership programme between UN, Business Community, ILO and NGOs in 1999 which re-enforced the concept of corporate social responsibility, today CSR has become a part of business process world over, being supported by the World Bank, OECD and the European Commission (Baxi, 2005).

A preliminary look at the data available through several sources suggest that CSR initiatives in Indian industries are limited to the social development of the country, given its strong embedding in philanthropy and community participation. When many business organization of Indian origin are becoming globally operative it needs to be proactive in adopting CSR initiatives in order to attain a competitive advantage of strengthening the foundation for sustainable business in the global market. Indian literature is full of incidents when business houses have gone ahead of Government institutions in providing welfare facilities to the employees and the society (Example – Tata Steel). Gandhiji's philosophy of trusteeship is similar to CSR of modern business world, which was followed, by Tata's and Birla's ever since their inception. In the words of Dr. Manmohan Singh the prime minister of India, while addressing CII'S -AGM-2007 "CSR is not an imported western notion. It is a part of our cultural heritage". He could not have been truer because CSR in India has come through distinct stages of development along with process of industrialization.

While value creation for shareholders is the *raison d'être* for companies, there is an awareness today that profits are earned from society and since society itself is imbalanced in the benefits it enjoys, some part of this profit should be spent towards under privileged segments of the society. Experts point out that CSR can not be calculated in statistics for the return on investment in short term, since getting involve in CSR is definitely a huge investment but there is no direct immediate benefit out of it. But it shows the way one organization is evolving (Mac Mohan 2006). So companies have to formulate unambiguous policies before making any false proclamations to the stake holder, investors, press, and the people who have big expectations (Chhabra, 2006). Because according to Kramer (2002) companies are not yet doing enough in CSR because they have not truly backed it into their core competitive strategies. Companies are competing on the basis of social responsibility-using it as an advantage, not just in a defensive manner. CSR creates dedicated workforce with high levels of self accomplishment people who take pride in themselves and their company. It encourages a spirit of voluntarism amongst

colleagues and boost morale ,builds self worth and fosters team spirit(Ramakrishna 2006). Similarly Lantos(2001) argues, given the ultimate responsibility of a corporation to its stake holders , strategic CSR financially benefits the business through serving society in extra economic ways .

**Literature overview:** - A good number of research studies have enriched the field of CSR all over the world with varied approach so also in India

1. C.V. Baxi and Ajit Prasad (2005) “Concept and cases, The Indian Experience”. The project on case writing on CSR themes by the faculty of Business schools in India is a pioneer work, which provides a lot of inputs for further study and research. Evidence supports that business in India has been as a multidimensional entity, serving greater societal interests and not narrowly focusing on maximizing profits for owners or shareholders. Increase integration of the markets of developing economies with the global economy, globalization has been one of the major drivers for CSR in India, as in the several parts of the world.

It is for the first time that under the aegis of UNDP-CII-AICTE-M DI , the business schools in India participated in preparing cases from various industries focusing on the process and decision making content implicit in the introduction, implementation, and evaluation of various facets of corporate social responsibility. The cases are illustrative and they will help in identifying further area of research. The organization taken for this study included from diverse field of activities such as Excel Industries Ltd.,Titan Industries Ltd.,Times of India , Ballarpur Industries, Aviva Life Insurance Company India pvt. Ltd., Wipro Corporation, KDT(Ayurvedic medicine manufacturer ) Charka Palika Hospital(Waste Management), Polyhydon Pvt Ltd. , Infosys Foundation , IFFCO ( Chemical plant), Micro sign products and NTPC Ltd .

2. S.K.Agarwal – (2008)”CSR in India”, the book is arguably the first comprehensive, well-researched book on the subject in India. The author uses Indian examples, case studies and CSR role models from the Indian industry to explain the gap between Indian business needs and current practices. Practices and researchers in economically developed countries have also been used extensively. As the Indian industry begins to enter international markets in big way, it is going to be imperative to integrate CSR with business goals for long term sustainability and healthy economic, social and environmental impact.

3. B. Arora and A. Puranik(2004):- The research finding of these authors in software industry on CSR in India concludes the fact that C.S.R. in India seems to be in a confused state as individual companies define CSR in their own limited ways and context resulting in CSR being undertaken under the name of philanthropy and not preventing the main – streaming of CSR into the core business process and limiting CSR to community development only. Addressing the survey the need of the hour is to generate awareness and impart skills amongst corporate houses, government, and civil society, the importance of CSR as an effective tool for enabling an environment of equitable partnership between civil society and business.

**Objectives and scope of the study:** - The primary objectives of this study are to contribute to the research on the field of CSR in India, which has been identified as potential superpower of the world. The present study is undertaken keeping in view the following objectives:

- 1) The research intends to examine the on going practices in NALCO and to identify the gaps that exist between policy and practice of CSR, and to
- 2) Suggest remedial measures based on primary and secondary data interpretation with statistical analysis to create a win-win situation of the company as well as for the growth and development of the society at large.

The scope of the study is confined to Mines and Refinery division of NALCO located at Damanjori, Koraput, Orissa.

Methods of study: - Qualitative research is no doubt a multi method research where the researcher attempts to develop understanding of the phenomena under study. The whole study is based on data collected from primary and secondary sources. In case of secondary source of collection of data for which the official records, reports circulars and new letters were referred. For the purpose of primary source of data a sampled employees were selected on the basis of random and purposive sampling to administer structured questionnaires relating to various aspect of CSR

in NALCO. Where ever possible statistical applications have been used before arriving at conclusion.

## **Working of Corporate Social Responsibility Practices in NALCO:- General Overview Of Nalco:**

Incorporated in 1981, as a public sector enterprise, under Ministry of Mines, Government of India, National Aluminium Company Limited (Nalco) is Asia's largest integrated alumina-aluminium complex, comprising 48,00,000tpa bauxite mining, 15,75,000tpa alumina refining, 3,45,000tpa aluminium smelting and 50,000tpa casting, 960MW power generation, rail and port facilities. Today Nalco has completed 28 glorious years of corporate excellence. With the technical collaboration of aluminium Pechiney of France, ISO 9001:2000 certification of quality management, registration of products at London Metal Exchange, environment care conforming to ISO 14001, low cost operations and international customer base, Nalco enjoys the status of a Five-Star Export House and a Mini Ratna company. In order to strengthen its market position, Nalco has started the Rs. 45,000crore the second phase expansion after the successful completion of the Rs.3700crore first phase. What is more important is that without losing any time, the company has already made preparation for Rs.60,000crore in third phase expansion.

Apart from exporting to more than 30 countries worldwide, its consistent track record in capacity utilization, technology absorption, quality assurance, exports performance and posting of profits, Nalco is a bright example of India's industrial capability.

For launching new projects abroad, NALCO has already signed an MOU with Indonesian Govt. to set up a 5lakh tonne Smelter and a 1250 MW power plant at an investment of Rs.14, 000crore. Besides in Iran an Rs.3.10 lakh tonne smelter has been planned as a joint venture with ALPHA at an investment of Rs.8000 crore. Nalco assigns high importance to promotion and maintenance of a pollution-free environment in all its activities. The Environment Management System in all production units confirms to the ISO 14001 norms. Among numerous recognitions, the two highest national awards viz. Indira Priyadarshini Vrikshamitra Puraskar for afforestation and Indira Gandhi Paryavaran Puraskar for environment management, conferred on the company by the Ministry of Environment & Forests, Government of India, bear further testimony to Nalco's commitment for the environment.

### **Corporate Social Responsibility- The Nalco Policy:**

Corporate Social Responsibility (CSR) is Company's obligation to be accountable to all its stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economic dimensions but also in the social and environmental dimensions.

Corporate Social Responsibility which is stated in NALCO's Mission: "to achieve growth in business with a global competitive edge providing satisfaction to the costumers, employees, share holders and community at large".

### **Objectives:**

As a responsible corporate citizen, Nalco conduct business in a socially responsible and ethical manner and it has developed sound policies, practices that address each of the following objectives: (1) To improve the living standards and quality of life of the Community through upliftment of economic status and community care. (2) To develop better infrastructural facility to cater to the social and economic need in vicinity of the Community. (3) To establish sound environmental and safety policies. (4) To provide better health care and health education. (5) To promote sports and games. (6) To promote Arts, Crafts & Culture. (7) To promote welfare measures (8) To integrate Corporate Social responsibility into supply chain of the Company. (9) To generate a responsible public image. (10) To minimize (making it zero) the negative and social environment impact resulting from its economic activities (11) To generate a good will from the Government bodies. (12) To respond to the social issues promptly in order to overcome.

Nalco's Corporate Social Responsibility besides other obligations encompasses the following elements:

Resettlement and Rehabilitation, Peripheral Development and Community Development, Pollution Control and Environmental measures, Health and Community Services, Education & Literacy, Promotion of Sports and Games, Promotion of Arts, Crafts and Culture and Relief Measures.

### Community and peripheral development:

Nalco has come to represent a better quality of life for communities residing in the vicinity of its plants and facilities. The company has comprehensively addressed the problems of rehabilitation of 635 displaced families with adequate compensation, housing and employment to 625 persons. Creation of infrastructure in the surrounding villages for communication, education, health care and drinking water gets priority in the periphery development plans of the company. Successful operations of the company have led to employment and income generation for the local people in many significant ways. Community participation in innovative farming, pisciculture, social forestry and sanitation programmes apart, encouragement to sports, art, culture and literature are all a part of Nalco's deep involvement as a responsible corporate citizen. Apart from financial compensation, employment and re-habilitation packages, NALCO has so far spent more than Rs.100 crore towards various social sector developmental activities successful operation of the company have led to employment and income generation for the local people in many way significantly. Rs.13.71 crore has already been spent for distress and natural calamity.

The company has adopted a policy of playing a catalytic role in general improvement of quality of life of the people living in the peripheral villages. In this regard various steps have been taken in collaboration with local Govt. authorities. As a policy, Nalco has been allocating 1% of its net profit of the year for peripheral development activities of succeeding year. During 2007-08 Rs.2381.38 lakhs was earmarked for this purpose.

### Corporate Social Responsibility Practices In Nalco - A Survey Based On Primary Data:

In order to verify the information available on the working of CSR in NALCO at Damanjodi Complex through secondary sources, a survey was made taking sampled 55 executives, 120 non executives and 35 community members to elicit their views on different aspects of on joining CSR initiatives. 3 sets of structured questionnaires prepared for this purpose were administered, data analyzed, interpreted and conclusion was drawn. The result of the survey is presented below:

#### A. Perceptions Of Executives On CSR

The questionnaires used here are prepared by the European Commission, down loaded from Internet. 55 respondents selected on the basis of purposive and random sampling are qualified graduates and above with 5 -10 years of service experience in age group of 30-45 years. Although a fine point scale was used initially, but later changed as no response available on two points.

#### 1. Workplace policies :

Table No. 1(a) Response of Executives on work place policies. (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Encourage employees to acquire new skills	85	05	10
ii	Steps against all types of discriminations	87	07	06
iii	Consultation with employees	69	24	07
iv	Adequate health, safety, welfare schemes	98	0	02
v	Provide good work life balance	51	47	02

Good workplace policy helps to build effective internal partnership between employer and employees. Here all five aspects except work life balance facility, were favoured by the most of the respondents i.e. 78 percent average. As it is a manufacturing and mining industry it is quiet difficult to balance work flexibility. Practice of quality circles with good facilities motivated employees to work hard for the benefit of both and to build a good reputation for the company. Consultation with employees on business matters needs more attention as felt by number of executives.

## 2. Environmental policies :

Table No. 1(b) Responses of Executives on Environmental policies (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Reduction of environmental impact			
a	Energy conservation	79	14	07
b	Waste minimization and re-cycling	71	19	10
c	Pollution Prevention	73	18	09
d	Protection of natural environment	69	23	08
e	Sustainable transport options	55	39	06
ii	Savings on reducing environmental impact	67	29	04
iii	Supply of clear and accurate environmental information	88	08	04
iv	Advantage of sustainability of products	89	07	04
v	Potential environmental impact on new product	83	07	10

Like land, water and raw material, now a day much importance on environmental management is felt everywhere. The environmental policy in all respect is quite advance in order to minimize environmental degradation. Except transport options, most respondents i.e more than 77 percent (average), were in favor of the action of the management on environment. No doubt efficient use of energy, prevention of pollution- land, water or air, and waste minimization makes financial source and image building by reducing negative impact of environment felt by the respondents.

## 3. Marketplace Policies.

Table No. 1(c) Responses of Executives on Market place policies (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Honesty and quality in all dealings	91	04	05
ii	Accurate information on product and services	95	01	04
iii	Timely payment of suppliers invoices	87	06	07
iv	Feedback, consultation, dialogue with business partners	84	14	02
v	Timely resolution of complaints	79	11	10

Business organisation is no doubt a human organisation and depends on both external and internal relationship for sustenance, this was felt by majority i.e 87 percent (average) respondents. Relationship with customers, suppliers and local organisation in-respect honest business deals helps to achieve competitive advantages and maintain ethical business practices- realised by the respondents, as this reputation is crucial to ensure success in the market place.

## 4. Community Policies.

Table No. 1(d) Responses of Executives on Community policies (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Training opportunity to local community	89	02	09
ii	Dialogue with local community on controversial issues	93	00	07
iii	Using local goods and services	79	17	04
iv	Encouragement to participate in local community activity	69	19	02
v	Financial support to local community activity	89	09	02

No doubt healthy and profitable business and well being of the community around it, are inter-dependent. So, almost 84 percent (average) respondents favored all aspects on community development policies of the management. Good will enhances company reputation and attracts talented human resources to the organization . NALCO in all respects fulfills all these through it's community and peripheral activities. 'Puraba' an annual tribal festival which is financed by the management and the employees voluntarily participate in it. Tackling social issues such as crime prevention, population control or long term unemployment in the local area need more attention to combat Naxalite activities suggested by the respondents.

## 5. Company values

Table No. 1(e) Responses of Executives on Company values (N=55)

Sl. No	Areas of activity	Response in percentage		
		Yes	No	NR
i	Defining organization values and rules of conduct	98	00	02
ii	Communicating values and rules of conduct to business partners	94	00	06
iii	Creating awareness among employees on organization's value system	89	02	09
iv	Imparting training to employees on values and rules of conduct	89	02	09
v	Creating awareness among customers value and rules of conduct	79	09	12

Slogan, vision, mission and company objectives well circulated at different levels have established the values and rules of conduct of NALCO as expressed by all most 90 percent (average) respondents. NALCO management is well aware of the competition in the market and to establish it's superiority, they have taken lot of measures on this aspect as expressed by all most all respondents.

From the above discussion it is realized that the management of NALCO is not leaving any thing to change as far as CSR initiatives are concerned. Rather more and more new areas of activities are being added to enrich the field and to meet the needs of all stakeholders.

### B. Perception of Non-Executives on CSR

There are 18 questions, asked to the 120 non executives both technical and non technical engaged in the Mines and refinery units of NALCO selected on random sampling method in order to know their perception on the on going CSR activities in NALCO. Mostly the non executive selected for this purpose are in the age group of 30-45 years with 5 to 10 years service experience in the organization. As far as educational qualifications are concerned technical are ITI and diploma holders and non-technical are up to graduation level. Their perceptions were measured on a five point scale in order to know the degree of knowledge with respect to different activities of CSR.

Table No. 2 - Satisfaction of Non Executive Employees on CSR initiative (N=120)

Sl. No	Perception about	Mean	Standard deviation
1.	Working conditions	3.45	0.998
2.	Labour standard and norms	3.23	1.161
3.	Wage structures	3.54	1.895
4.	Promotion and Transfer Policy	3.59	1.301
5.	Training and education for workers	3.59	1.299
6.	Engagement to enhance special Skills	3.80	0.981
7.	Grievance handling practices	3.40	1.131
8.	Son of the soil policy	2.50	1.052
9.	Health, safety and welfare facilities	3.57	1.071
10.	Action against discriminations	2.59	0.950
11.	Fear of NGOs Campaign	2.51	0.830
12.	Segmenting relevant CSR issues	2.91	1.050
13.	Integration of business strategy with CSR	3.64	0.930
14.	Use of CSR for brand making	3.80	0.918
15.	Forging partnerships between business and society through CSR	3.80	0.981
16.	CSR helps to improve financial status	3.91	0.855
17.	CSR initiative a tool for competitive advantage	3.91	0.855
18.	NALCO fulfills it's social obligation	3.80	0.996

Scale- Strongly disagree-1, Disagree-2, Neither agree nor disagree-3, Agree-4, Strongly agree-5

In total 18 questions relating to various aspects were asked to the non-executive employees. Their mean responses with standard deviations is presented in the Table No.2. On 13 items the mean responses are more than 3.5 or nearer to 4, which means employees are satisfied with facilities or practices of CSR in the organization. Low responses are available in case of non-implementation of son of the soil policy, no effective actions against discrimination in employment and recruitment, segmenting CSR activities, propaganda of NGOs and non effective working of the grievance handling practices as told by some of the respondents. But over and above NALCO takes care of its employees better than any organization in the state. Recently introduced NEFAR (Nalco Employees Family Assistance Rehabilitation Scheme) will help the members of the superannuated employees family to overcome financial problems on a long term basis, as experienced by sizeable non-executive respondents.

### C. Perceptions of beneficiaries towards peripheral development:-

The company has adopted a policy of playing a catalytic role in general improvement of quality of life of the people living in the peripheral villages and has received number of awards in this respect. In this regard various steps have been taken in collaboration with local government authorities.

To measure the satisfaction level of the beneficiary in total 15 questions were asked to 35 persons selected on random basis and their views in form of mean score with standard deviation are presented in the table No-3. A five-point scale was used to their perceptions.

Table No. 1 - Satisfaction of Community members towards peripheral developmental work.

Sl. No	Area of Activities	Mean Responses	Standard deviation
1.	Satisfaction with the developmental work	4.60	1.019
2.	Applying son of the soil policy	1.99	0.89
3.	Successful rehabilitation of LDPs	3.38	0.99
4.	Generation of employment	3.80	1.00
5.	Supporting the national scheme for SC/ST	2.49	1.80
6.	Contribution to present Cultural activities	3.80	0.85
7.	Promotion of small scale industries	2.30	0.99
8.	Problems created by waste disposals	2.74	1.12
9.	Conservation of scarce resources	2.83	0.98
10.	Environmental Pollutions	3.49	0.95
11.	Projected handed over to district administration	4.90	0.74
12.	Rehabilitation of displaced persons	3.40	0.92
13.	Contribution to build better society	2.40	1.00
14.	NALCO Contribution to the society	3.50	0.93
15.	Proper utilization of facilities by the public in the community	3.30	0.92

Scale- Strongly disagree-1, Disagree-2, Neither agree nor disagree-3, Agree-4, strongly agree-5

Nine areas of peripheral development work, out of 15 were appreciated by members of the Community. NALCO is taking appropriate steps to prevent environmental degradation. Waste disposal and conservation of scarce resources are not properly taken by the management as told by the majority public. So also no steps are taken to establish small scale industry in the locality to generate employment along with implementation of special scheme for tribal development with son of the soil policy.

Disposal of caustic soda is creating problem and the land fertility rate is reducing gradually, being complained by a number of respondents. Community people are satisfied with developmental work of NALCO but they want more on different accounts such as pucca road, electricity and water supply to near by villages around mines.

## CONCLUSIONS

From the on going discussions, the NALCO Damajodi Unit have successfully implemented its social obligation responsibility by improving financial performance and creating its favorable image in the minds of various stake holders by integrating CSR with business strategy to have competitive advantages in the free-market economy. This proves the objective of the present study

to a great extent. Employees are well compensated and looked after by the company through establishing effective internal relationship leading to high moral and motivation.

Similarly the local communities also expressed their satisfaction but demanded more employee generating schemes with more scope to the son of the soil policy be taken up by the management. Funds for peripheral development of villages be directly given to the local Panchayat demanded by sizeable respondents. Development of small scale industry should be established in their locality to generate employment. More no of villages located in inaccessible areas in the basement of mines are to be connected with all weather road and electricity.

## **SUGGESTIONS :**

To make the CSR scheme more successful the following suggestion may be taken up by the management :

1. Local people should be given more educational and training facility with new employment opportunity.
2. Small Scale labour intensive industries be promoted with the help of the NALCO authority.
3. Awareness on population control and increasing literacy levels be taken up vigorously.
4. Maintenance of services provided under peripheral schemes should be taken up by NALCO not by state administration.
5. More developmental work within 10-15 K.M. radius of the plant be taken up in order to discourage Naxalite activities.

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