The Business of Business is … Sustainable Value Creation

Seminar / Discussion - 14th October 2009

at the

Said Business School

University of Oxford

London, UK

Have we already forgotten what Mike Smith said…..?

- In the year 2000, 51 / 100 largest revenue generators were businesses not nation-states. In 2003, 51 became 74!!

- General Motors **>** Denmark; Toyota **>** South Africa

Yet,

- 3 world's richest people > Combined GDP of 34 poor nations

- 4 billion people need Livelihoods – "reach" them first before they can "buy" from you

The example and the inspiration

"In a free enterprise, the community is not just another stakeholder in our businesses, but is in fact the very purpose of the existence of our enterprises".

- Jamsetji Tata
Founder, Tata Group

"The Tata philosophy of management has always been and is today more than ever, that corporate enterprises must be managed not merely in the interests of their owners, but equally in those of their employees, of the consumers of their products, of the local community and finally of the country as a whole"

J R D Tata

Questioning the unquestioned…
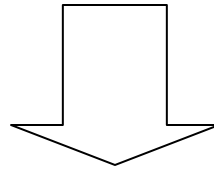
Simple, but not easy !

Ownership – Who really owns the wealth created by business?

Governance – Who really controls the enterprises?

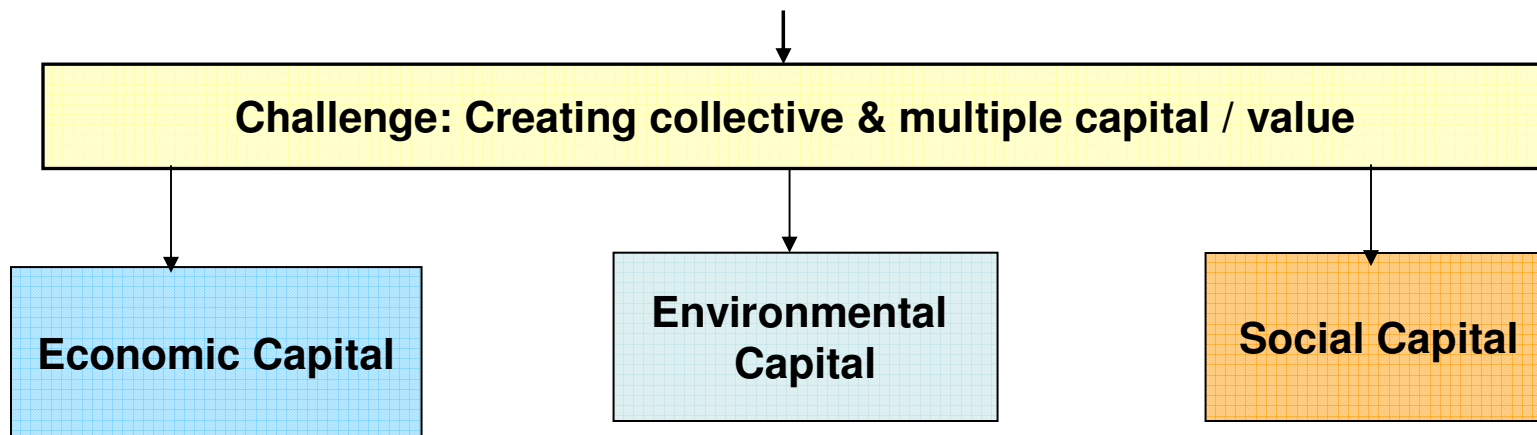**Business Model – Where is the place for "values" in business?**

Large Employee base : Does everyone really believe in it?

Leadership – Do we have Leaders with a new bandwidth?

'Who am I' - as a Corporation

*Improving the Quality of **Life***

Challenge: Creating collective & multiple capital / value

| Economic Capital | Environmental Capital | Social Capital |

- **Can we develop non-financial aspirations & goals ?**

- **Do Companies create a human purpose at work, all the time ?**

- **By what 'process' to capture and attain these aspirations?**
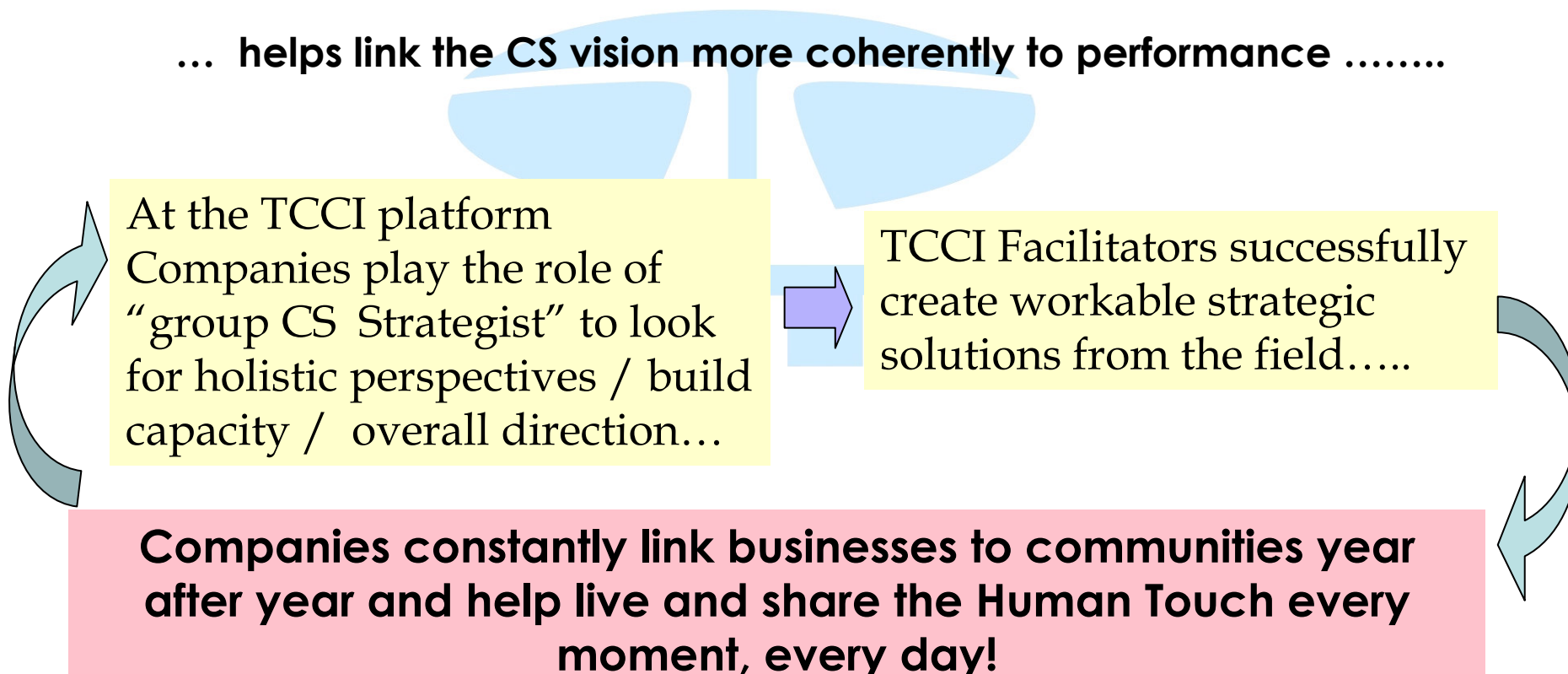
Creating Genuine Stakeholder Dialogue & Engagement

Workout 2009

Business & Sustainable Value Creation
Workout 2008

Corporate Sustainability & Leadership Profile
Workout 2007

Triple bottom line - driving business process
Workout 2006

Social Entrepreneurship and Sustainable Livelihoods
Workout 2005

Tata Index: towards measuring Human Excellence
Workout 2004

UN Global Reporting and UN Global Compact Initiatives
Workout 2003

Group Level Initiatives in EMS / ISO 14001
2001-2002

Case studies – Guidelines on building Community
1998-2000

Regional Groups / Networking &Tata Volunteering
1996 - 1997

Continuing the legacy and vision on…

…Corporate Sustainability…

(Leadership - CEOs of BEBP Tata companies - provide direction)

… helps link the CS vision more coherently to performance ……..

At the TCCI platform Companies play the role of "group CS Strategist" to look for holistic perspectives / build capacity / overall direction…

TCCI Facilitators successfully create workable strategic solutions from the field…..

Companies constantly link businesses to communities year after year and help live and share the Human Touch every moment, every day!

(through the management, facilitators & volunteers of Tata Companies)

New Business Models ? multiple Value creation??

Protocol for Assessment & Deployment of Tata CS

Six Steps to Deploy the Tata Index	Processes & Actions customized at a Company level		How to…

Basis for Self-Evaluation

Form the Team	→	Volunteer-Mapping Criteria / Process for selection	→	CSR Structure at H.O. / Locations

Declare the Projects for the Year	→	Core Competence CSR Strategy for Project selection	→	Name / Description of Projects with Summary

Identify the Concerns	→	Felt Needs Surveys Rationale / basis for selecting Concerns	→	Matrix of Concerns identified

Finalize Areas of Emphasis	→	Processes that include local & regional priorities	→	Firm up Areas of Emphasis with P-D-C for Activity

Determine Human Excellence Indicators	→	Processes of relating Human Purpose to Activity	→	Develop 'Performance Measures' for Human Indicators

Decide on Key Communities	→	Rationale to decide Key Community	→	Declare Communities / geography & location with diagrams / maps

Develop the Case

for each Program

Putting the Human Touch every moment…

Stretched band-width … to keep the promises …….

Risks
You are the problem
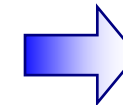
- **Global Reporting Initiatives**
- **Environmental Management Systems**
- **UN Global Compact**
- **Social Accountability**
- **Biodiversity & wildlife………..**

Opportunities
Traditional 'CSR'

- **Life / work integration**
- **Volunteering: the practice to give**
- **Encouraging the youth**
- **Serving the People: Health / Education**
- **Building Entrepreneurship & Livelihoods …..**

Innovations
Apply competence & Scale

- **Literacy in 40 hours**
- **Child with LD learn faster**
- **An 'upper knee' amputee can climb tree**
- **Strategic Multi-stakeholder Alliances solve tough problems………..**

How to… Improve clarity to … capture & measure human development

LOCATION: _____   PROJECT TITLE: _____

CONCERNS ARE STATED
1. Child's Right to Education
2. Empathy for the Underprivileged

MORE FOCUS ON ACTIVITY
1. Health
2. Women and Child

KEY COMMUNITIES ARE DEFINED
1. Underprivileged women in the area
2. Neighbouring villages

Tangible Measures	Human Achievement
The Company renovated the infrastructure of an orphanage for destitute women and their children enabling a more hygienic surrounding environment. All the financials – Rs. 13000 were borne by the 19 volunteers themselves.	· The orphanage is like a community center that impacts everyone and the 148 resident women and children. The well-being, health and environment is critical to the overall performance. • "Painting the house for street children has helped the community to a large extent as most of these children come from places which lack infrastructure and a clean place to study". – a local beneficiary
19 volunteers; 44 volunteering days	

DETERMINE HUMAN EXCELLENCE INDICATORS:
1. Improved access to resources, created greater opportunities and improved the position of students to positively influence their quality of life.
2. Increased awareness & conceptual abilities of women positively

AIMED AT SUSTAINABILITY
1. Sourcing – not raise - Funds
2. Create more Self-Help Groups/ develop leadership
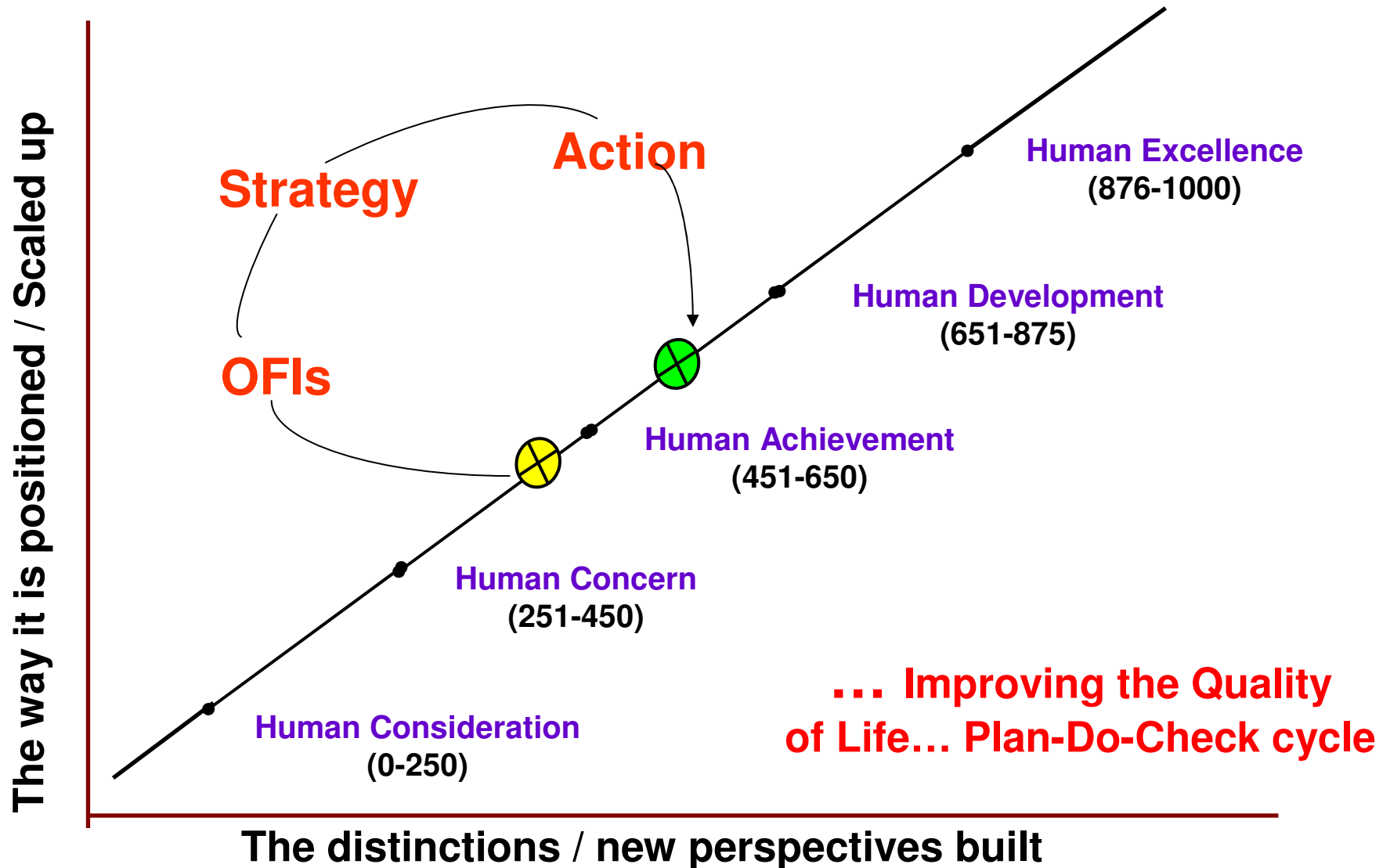3. Your work as their Instrument of Income / not a service

_____
Project Leader

A Journey towards Human Excellence !
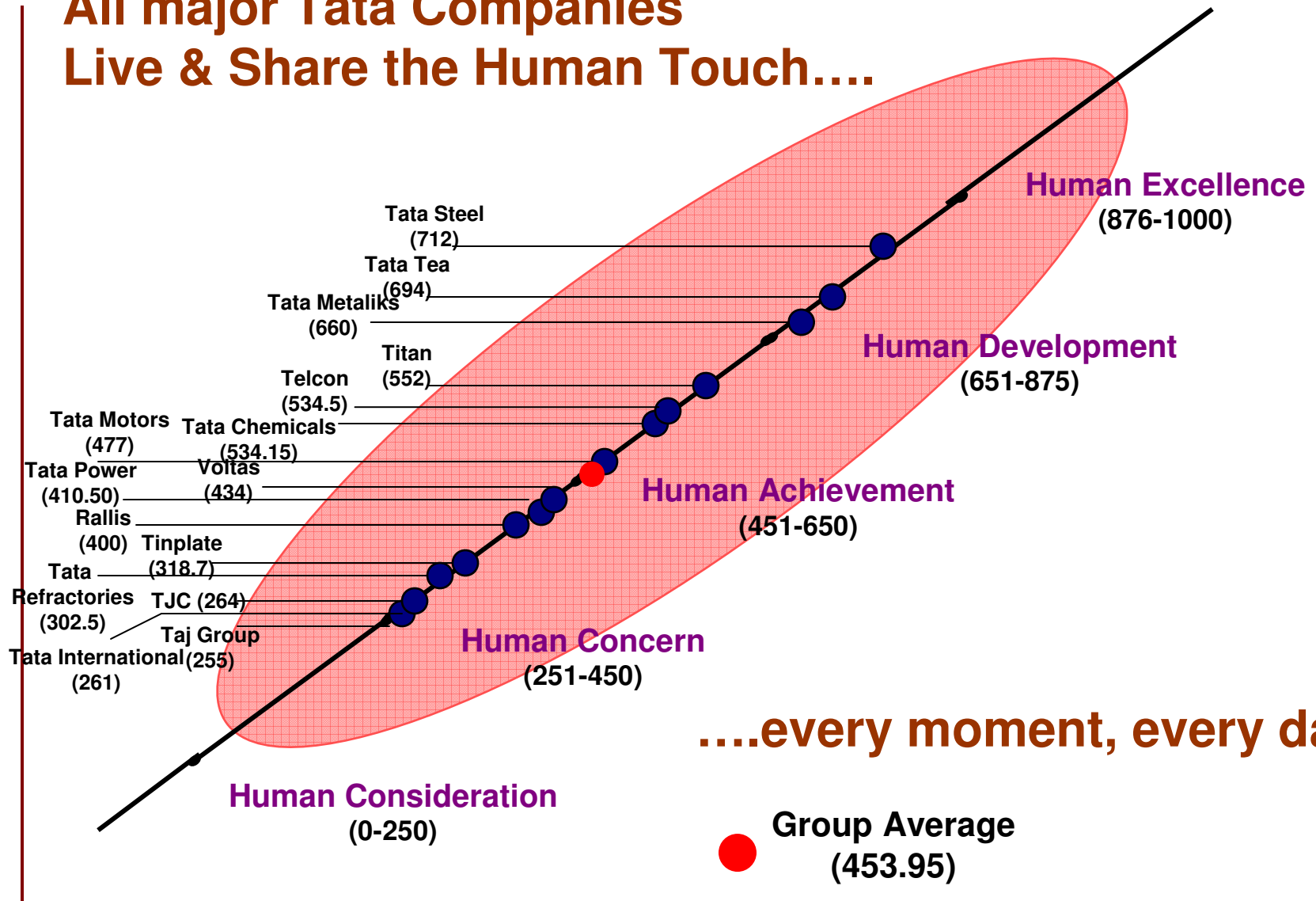
Assurance Levels		Total Score	A Company Scores
Level I	Systems Response	275	110
Level II	People Response	175	60
Level III	Program Response	550	230
TOTAL POINTS:		1000	400

From 'current realities' leveraging towards a 'Vision'

Clean Technology

How does the Company ensure that Sustainability initiatives are not limited by its existing competencies?

How does your Company manage "disruptive technological change"?

Sustainability Vision

How does your Company bring long term issues of Sustainability, in its vision?

Does that vision focus on serving the unmet needs of the poor at the base of the economic pyramid? How does the Company leverage from current reality to the vision?

Pollution Prevention

How does your Company address issues on the most significant waste / emission streams from current reality?

How does it lower costs and risks/ eliminate waste at the source or by reusing it?

Product Stewardship

How does your Company understand product life-cycle issues and address them?

How does your Company engage a broader range of Stakeholders? How does it build legitimacy and create reputation through product stewardship?

Tomorrow

Today

Internal

External

The purpose of Corporate Sustainability is to create 'collective value' for enhancing Human, Natural, Social, & Financial capital.

CS seeks demonstration of accountability to all Stakeholders; and supports a Systems orientation to achieve Sustainability.

And so, CS Leadership is about role models who lead by example, and develop motivational means to inspire employees and other stakeholders……

……in order to give business a lasting and competitive edge.
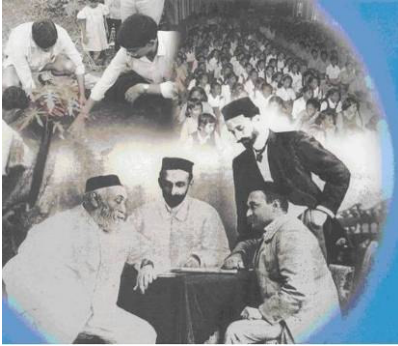
"Corporate Sustainability (CS) is integral to value-creation in our businesses through the enhancement of human, natural and social capital complementing their economic and financial growth in order to give the enterprise an enduring future and also help create and serve a larger purpose, at all times. It facilitates accountability to all stakeholders as a systemic practice".

- TBEM 2009 Manual

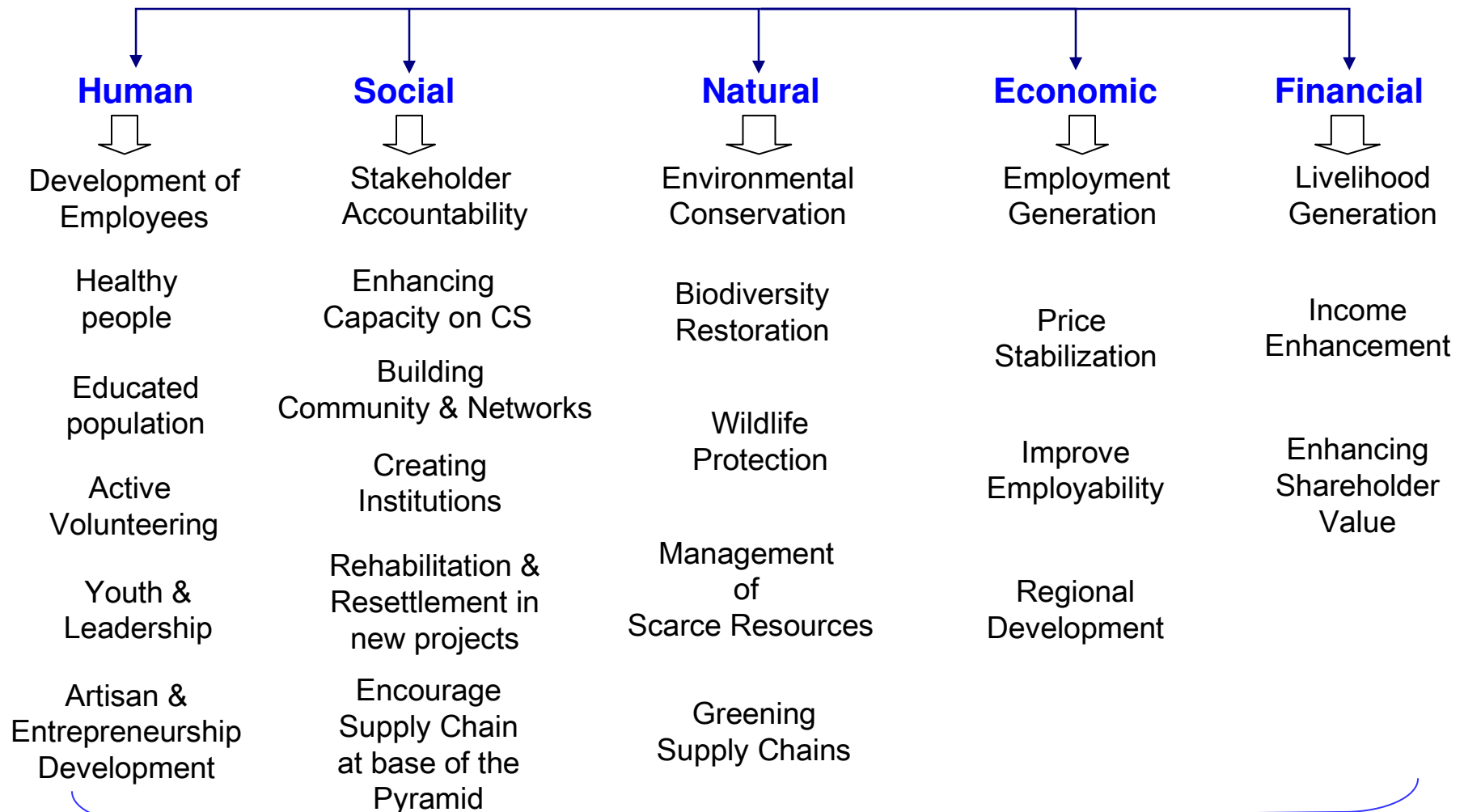# Corporate Sustainability

is about

Value creation that -

a. provides _lasting & enduring benefits_

b. serves a _larger_ purpose – local, national & global

c. all stakeholders find such engagement _meaningful and worthwhile_

"…….agendas for board meetings have data on sales, costs, profits, dividends, share value, customer relations, market share, et al, but seldom does one find data on what the enterprise is doing for its employees, for the community, for the environment. Where I do see such data, it is generally a paragraph or two mentioned in passing, unless it is a publicity document. If these three issues are of importance, I believe they must find a place in the weekly, monthly, quarterly or six-monthly statements of every enterprise"

K. A. Chaukar,*MD, Tata Industries*
Chairman – TCCI,

Creating the Big vision

It creates lasting benefits, considers future needs and ultimately serves a larger purpose. It is about building collective and multiple forms of Capital

Human	Social	Natural	Economic	Financial
Development of Employees	Stakeholder Accountability	Environmental Conservation	Employment Generation	Livelihood Generation
Healthy people	Enhancing Capacity on CS	Biodiversity Restoration	Price Stabilization	Income Enhancement
Educated population	Building Community & Networks	Wildlife Protection	Improve Employability	Enhancing Shareholder Value
Active Volunteering	Creating Institutions			
Youth & Leadership	Rehabilitation & Resettlement in new projects	Management of Scarce Resources	Regional Development	
Artisan & Entrepreneurship Development	Encourage Supply Chain at base of the Pyramid	Greening Supply Chains		

+ Addressing specific concerns under any of the above categories

"At Titan, Corporate Sustainability is embedded into the business process. Bringing a smile to the children and people of the community generates goodwill, reputation and customer affection which, eventually ensures long-term relationships and sustainability."

Bhaskar Bhat
MD, Titan Industries

Titan Industries Limited

Corporate Sustainability Policy

"Titan will make a significant contribution to the communities in which it operates"
Titan will endeavour to create Sustainable Development through partnerships with the communities specially in the areas of Education, Disability and Women Empowerment

Titan will demonstrate sensitivity and responsibility in the areas of concerns relating to the Environment, Climate Change, Global Warming, and Affirmative Action.

It will aim to exceed compliance on stated norms and regulations in the areas of Environment and Health.

It will seek to demonstrate adherence to the Tata Group's Core values of enhancing Human, Social, Natural and Financial Capital as also Employee Volunteering.
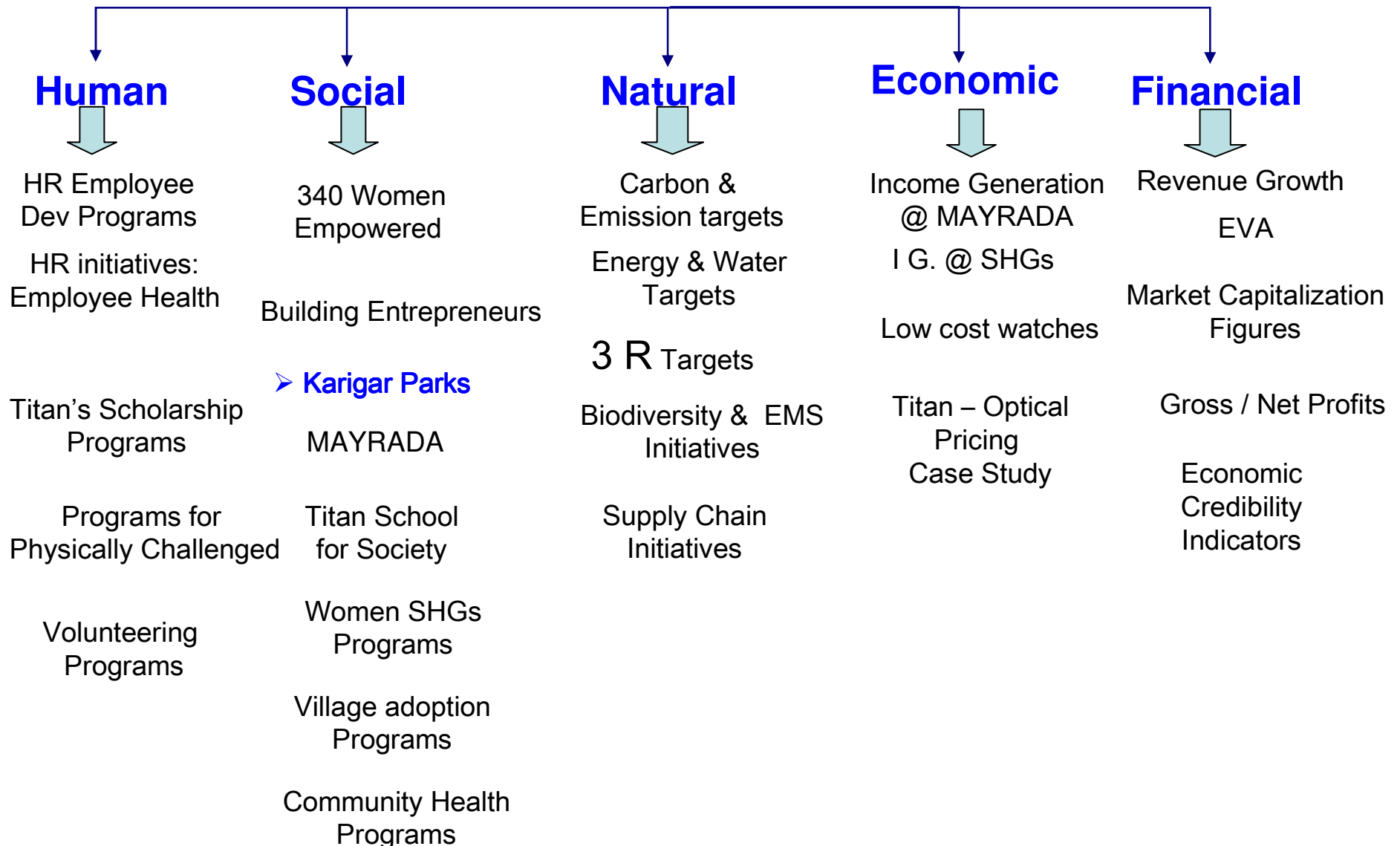
The Company shall deploy appropriate approaches and resources and review the progress at periodic intervals.

21.04.2009

Bhaskar Bhat
Managing Director

Titan Industries creates Sustainable Value

Human

HR Employee
Dev Programs

HR initiatives:
Employee Health

Titan's Scholarship
Programs

Programs for
Physically Challenged

Volunteering
Programs

Social

340 Women
Empowered

Building Entrepreneurs

➢ Karigar Parks

MAYRADA

Titan School
for Society

Women SHGs
Programs

Village adoption
Programs

Community Health
Programs

Natural

Carbon &
Emission targets

Energy & Water
Targets

3 R Targets

Biodiversity & EMS
Initiatives

Supply Chain
Initiatives

Economic

Income Generation
@ MAYRADA

I G. @ SHGs

Low cost watches

Titan – Optical
Pricing
Case Study

Financial

Revenue Growth

EVA

Market Capitalization
Figures

Gross / Net Profits

Economic
Credibility
Indicators

KARIGAR PARKS – *from Artisans to Entrepreneurs*

TITAN Industries jewellery business has created clusters of traditional craftsmen equipped with the finest tools and working conditions called Karigar Parks in and around Hosur in South India since 2001. It aims at providing craftsmen a platform and uplift this community from the brink of almost extinction due to shifting job patterns.

Presently, we have Twelve Karigar Parks (KPs), Eight at Hosur and four at regions (from Mumbai in the West to Erode, Thirunelveli and Ratlamin the South). Currently we have 650 Karigars in the KPs (500 Karigars at Hosur and 150 Karigars at regions).

"Normally, we sold our produce through a chain of middlemen whereas Karigar parks provide us direct incomes and steady employment so we concentrate and pay more attention to develop the denuding arts. This setup is a win-win for the company and the community".

"In this unique experiment in supply-chain management we learnt how to find opportunities to serve the talented but underserved! It gives me immense personal and professional satisfaction!!"

- **Sumant Sood,** Sr. Manager – Business Excellence, Email: sumant@titan.co.in

3-5 years perspectives & goals…….
(CS Strategy)

System

Risks
1. Top management evolves the big picture / reviews……
2. Deploys resources / mechanisms……

Opp.
1. Involves Level II & fast trackers……..
2. Develop Leaders in Level II/III………

Innov
1. Partnership / Stakeholder Council………

People

Risks
1. Identifies key people for CS……..
2. Trains & position with KPIs……

Opp.
1. Careers in CS……
2. Volunteering culture / process…..

Innov
1. Structure / involvement / Awards / incentives / motivate / culture……..

……3-5 years perspectives / action
(CS Strategy)

Program

Env & Social Risks

1. Being Carbon +ve --- > 6 years

2. Being effluent +ve -------------------- > 3 years

3. Water / Energy concerns ----------- > 3 -------------- > 5 ------------- > years

4. Rehabilitation / Resettlement -----→ 2 years -------→ 5 years -----→

5. Unemployed Youth -------→1 -------→2 -------→3 ------------→ 5 years

6. Endangered biodiversity / wildlife ----------> 3 ----------> 5 years

Opportunities to Serve

1. Health ---------- ongoing ---------------→ 5 years

2. Education ---------- ongoing ---→ 7 years

3. Youth ---------- 3 years Training ----------------→ 5 years engagement

4. Building Sustainable Livelihoods 10 ----- 50 ------- 100 ------ 500+

5. Rebuilding rural economies -------- 5--------10------------15 villages/ blocks

6. Biodiversity & Wildlife ----------------------------- 10 ------------- 15 years

Innovations for impact

1. Short term -------------→ 2 years

2. Long term ------------ 5 to 10 years ---------------------------------years

CS Leadership creating 'total' value

- **It is leadership at all levels – greatness prevailing everywhere**

- **It is about emphasis on immense human sensitivity & service**

- **It thrives on the ability to unleash 'total personality' & evolve consensus factoring multiple facets**

- **It is an ability to raise consciousness of employees / people around to live a life driven by ethics / values**

Corporate Sustainability (CS)

Systemic Legacy

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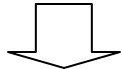
CS Protocol

- Internal Assessment – encourages proaction

- TBEM Application for 2007/08 – helps make a start

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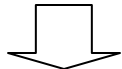
- Annual Scores – ensure constant process improvement

- Address major OFIs – Mitigates major Risks

- Develop a 3-5 years CS Strategy – helps manage Risk, Opportunity & Innovation (ROI) more coherently

- Share Case-stories & Sustainability Reports – create a larger circle of influence

Business gets a more lasting / competitive edge

Personality Footprints

⬇
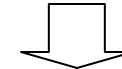
CS Leadership Profile

- CS Responsibility for CFT + all Level IIs

- Trained Facilitators for BELP – directly serve TBEM goals.

⬇
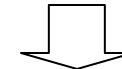
- CS Reviewed every Quarter – demonstrates commitment / seriousness

- CS Facilitators identified & recognized - helps develop CS Leadership/succession planning

- CS Performance is taken up in routine meetings – integration fosters possible innovations like CAALP, Artificial Limb.

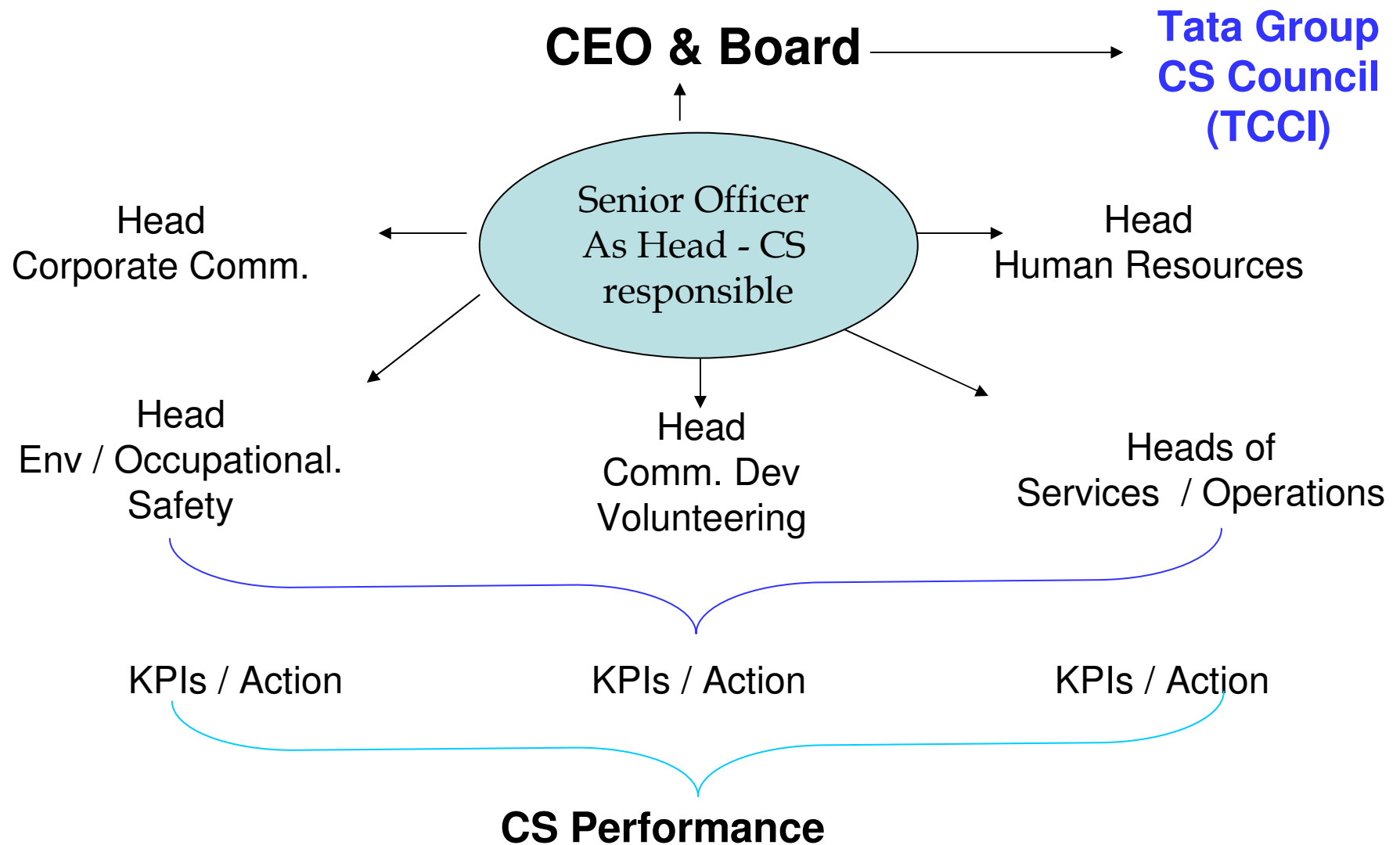- CS / Volunteering base with greater CEO/ Level II involvement – shows up 'leading by example'

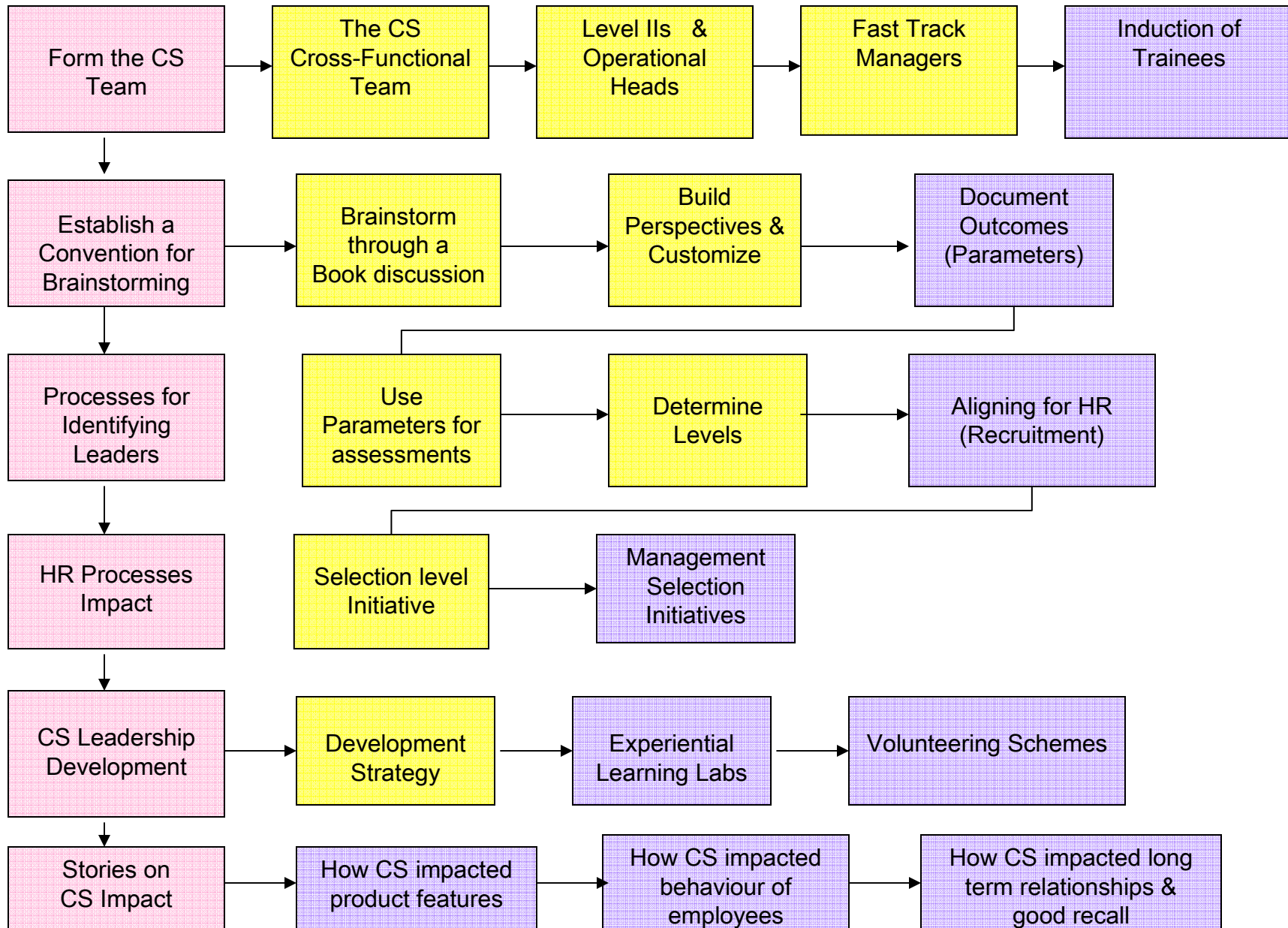**Motivated and satisfied employees – trigger a virtuous cycle of enhanced goodwill and reputation.**

Be the Change you wish to See – Mr. CEO!

- Demonstrate unusual creativity in solving 'tough' problems

- Excited more by 'Achievement' than by 'Opportunity'

- Strong ethical fiber & a high sense of human purpose

- Leadership is not so much about "you" – but collective

- It is a capacity to link inner growth with outer progress

- Leverage "total intelligence" to create "total" value

- "None of us is Smart than All of Us" becomes an experience.

How major Tata companies are delivering the CS Mission?

CEO & Board → **Tata Group CS Council (TCCI)**

Head Corporate Comm. ← **Senior Officer As Head - CS responsible** → Head Human Resources

Head Env / Occupational. Safety

Head Comm. Dev Volunteering

Heads of Services / Operations

KPIs / Action   KPIs / Action   KPIs / Action

CS Performance

CS Leadership & Volunteering

```
Form the CS Team → The CS Cross-Functional Team → Level IIs & Operational Heads → Fast Track Managers → Induction of Trainees

Establish a Convention for Brainstorming → Brainstorm through a Book discussion → Build Perspectives & Customize → Document Outcomes (Parameters)

Processes for Identifying Leaders → Use Parameters for assessments → Determine Levels → Aligning for HR (Recruitment)

HR Processes Impact → Selection level Initiative → Management Selection Initiatives

CS Leadership Development → Development Strategy → Experiential Learning Labs → Volunteering Schemes

Stories on CS Impact → How CS impacted product features → How CS impacted behaviour of employees → How CS impacted long term relationships & good recall
```

Guidance process for Tata CS Strategy

C. CS Strategy and Work Plan

7. **CS Protocol & OFIs** - Do the Assessment as per Protocol / identify OFIs / Scores / State the Work Plan for improvement.
6. **ROI Analysis** - Classify the CS inventory, OFIs and actions into R.O.Is Prioritize the ROIs with top management involvement. Convert actions into CS Strategy for 3-5 years
5. **Stakeholder Engagement** - Identify key Stakeholders / Plot mechanisms of Reporting Dialogue. Employ group dynamics / methods to create new engagement opportunities. Enroll Stakeholders into Tata CS / culture.

B. Deployment of CS

4. **Volunteering & Communications Cascade** – Formulate a scheme for the Company; conduct CS Assurance Feedback and inform / enroll employees.
3. **CS Leadership; CS Head / CFT** - Institutionalize the CS Leadership Profile & develop CS teams / CS Leadership & Career programmes. Integrate team leaders of Community Development, Volunteering, Occupational Safety, Environment, Biodiversity, Culture/Sports and so on into one CS team.

A. Introduce & Develop Approach on CS

2. **CS Policy & Budgets /Review** - Prepare a CS Policy for the Company (based on the Group CS Policy). Internalize, reflect on and use the working definition on Corporate Sustainability
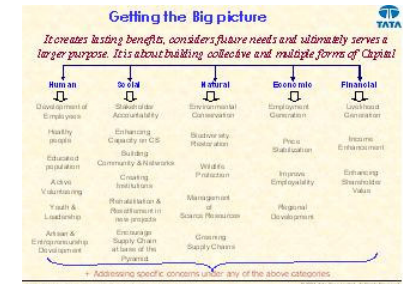1. **Represents in Council Meetings / at Workouts**
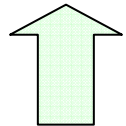
Guidance process for Tata CS Strategy contd.....

F. CS Aspirations and Outcomes
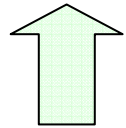
10. Sustainability Report / Big Picture / Triple bottom line & other Company level & group publications. - Develop multiple aspirations - Human, Social, Natural, Economical & Financial. (suggestions enclosed)
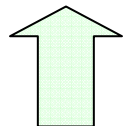
E. Serving the underserved

9. CS Innovations and Projects - Map the Core competencies and domains of existing work into an inventory of CS activities.
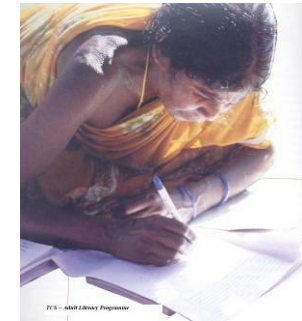
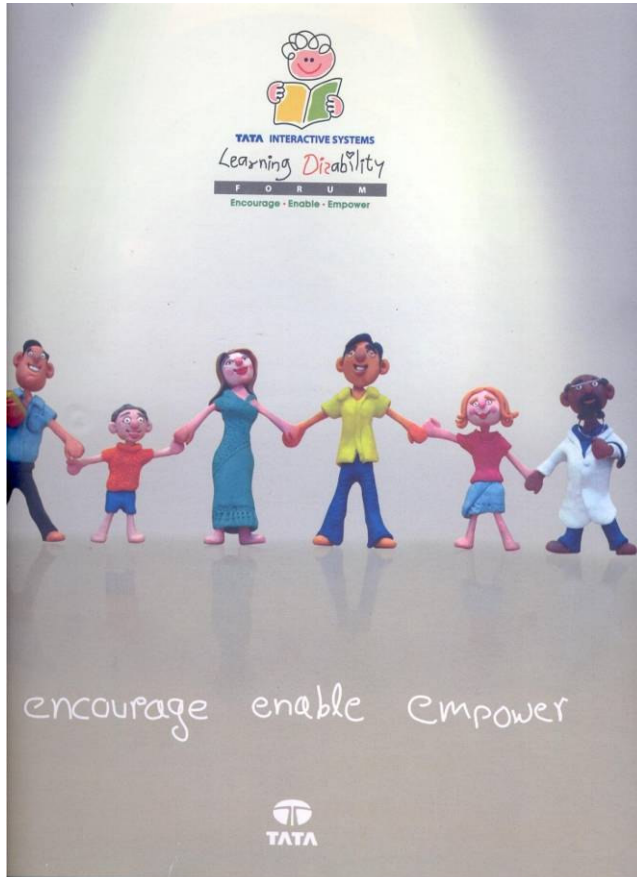**D. Regulations & Voluntary Standards on CS**

8. GRI, SA8000, ISO, and so on - Develop Measures, Reporting Elements & Indicators (including GRI).

Core Business Strategy to meet needs of the 'poor'

Innovations to Serve — e-learning capability to serve Children with Disability!

· **Tata Interactive develops a unique teaching process for children with Learning Difficulty / Disability (LD) using e-learning technology.**

· **A team of executives volunteer to develop this process and generate a business alternative. The Company has created the Learning Disability Forum to take this forward through stakeholder consensus.**

The deeper issues are:

How can organizations deploy capabilities for serving a 'cause', create enabling conditions for Innovations to serve?

Innovations to Serve – In 40 hours illiterate reads Newspaper !

- Tata Consultancy Services develops a Computer Based program for the Andhra Pradesh and helps 20,000 persons

- This spreads to Tamil Nadu, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal

The deeper issues are:

How can Organizations be encouraged to 'study' really big problems?

How can Organizations build the 'capacity' like any other one?

Innovations to Serve – Safe Drinking Water for All !

- Tata Projects develops a sea water desalination & water related treatment plants.

- This spreads to Andhra Pradesh, Punjab, Rajasthan, Karnataka, Tamilnadu & Maharastra. 173 units have been supplied with 5 lacs beneficiaries.

- The Company has a co-operation agreement with Naandi Foundation to take this forward through its "Community Safe Drinking Water" programme.

The deeper issues are:

What processes do organizations have to encourage "social innovations"?

How do you identify and support employees who have passion for such breakthroughs?

Innovations to Serve – Dristhi!

A visually challenged agent making a call

- Tata Teleservices helps the visually-challenged become self-reliant, economically-independent through Project Drishti.

- Tata Teleservices has joined hands with the National Association for Blind (NAB) to provide viable employment opportunities to visually challenged youth.

The deeper issues are:

How do Organizations analyse their core competencies and create 'strategic opportunities' to reach the underserved "?

How sensitive is the Management to extend such services as CS initiatives?

Tata Steel Limited

Hospital on rails for remote villages

EYE CURE CAMP
Organised by:
A STEEL RURAL DEV. SOCIETY
GOPALPUR

- Tata Steel has the largest integrated Rural Development programme for over 700 villages around Jamshedpur

- Tata Steel has combated TB, Smallpox, Malaria & Cataract through strategic programs.

- Tata Steel's HIV/AIDS initiative is not only well-know locally but has been recognized by the UN Global Coalition Awards for HIV.

- Jamshedpur City has been selected by the UN Global Compact Cities Programme which Tata Steel is coordinating.

Tata Motors Limited

- Like most Tata companies, Tata Motors has a huge biosphere created in and around its Plant in Pune.

- Tens of villages have been adopted around their plants in different locations for integrated development focusing on Health, Education, Child & Women.

- Tata Motors has played a significant role in vocational training and education for the last 40 years training thousands of young people in skills and trade.

- Tata Motors created co-operatives to mobilize the spouses of employees not only to enhance their income but create entrepreneurship & build different forms of alternate capabilities.

Tata Power Limited

- **Tata Power has created & preserved large reserves of biodiversity in and around its operations.**

- **Tata Power has given training to Teachers and students from over 2000 schools in participatory forestry, preserving and growing biodiversity in and around their locations.**

- **Tata Power has protected tremendous amount of wildlife and endangered species such as 325 Bird species, 330 species of butterflies, 221 species of Amphibians, 157 species of Reptiles & 125 species of Mammals!**

Tata Chemicals Limited

- Tata Chemicals have used satellite imaginary to help build check dams in a draught prone areas for conserving use of water for agriculture.

- The saltworks of Tata Chemicals Ltd., and the Charakla saltworks in particular, provides refuge to thousands of aquatic birds, both native and migratory. As many as 121 species of birds have been recorded at the Charakla saltworks which has been listed as an "Important Bird Area".

- In a unique initiative, the company created awareness and finally saved an endangered specie of the Whale Shark – an excellent example of what business can do.

- Tata Chemicals has also formed 204 Self Help Groups with 2000 people participating out of their 1600 are women transacting in a activity valued at Rs. 21.10 lacs in order to promote Sustainable Livelihoods that ultimately resulted in artisan and entrepreneurship development.

Now, for some more learning…

Thank you for your patience !