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New Academy of Business



Enhancing Business-Community Relations

Coca Cola Case Study



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October 2003

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Coca-Cola India: Social Responsibility Initiatives

Research Project Background

This case study is one of ten that were chosen as part of the ‘Enhancing Business-Community Relations’ project in India implemented in collaboration with The Energy and Resources Institute (TERI). These cases document examples of engagement between businesses and communities and can be used as learning tools for the promotion of responsible business practice and sustainable development.

The Enhancing Business-Community Relations project is a joint international initiative between United Nations Volunteers (UNV) and the New Academy of Business. Implemented in seven developing countries, the purpose of the initiative was to collect and document information on business-community practices as perceived by all stakeholders, build partnerships with them and promote corporate social responsibility practices. It is also intended to enhance international understanding of business-community relations through information sharing and networking with other countries especially those participating in the project - Brazil, Ghana, India, Nigeria, Philippines, South Africa and Lebanon.

The findings and recommendations reflected in the case study are those of the author and do not necessarily reflect those of UNV, TERI or the New Academy of Business. It is important to note that these cases were written as examples of business-community initiatives. They do not constitute a comprehensive assessment of the company’s social responsibility.

1. Introduction

The following case study provides one of the most interesting accounts contributing to the India part of the ‘Enhancing Business-Community Relations’ project of the difficulties businesses can face in being accepted as a true “corporate citizen.” Although Coca-Cola India has a department that deals specifically with social and environmental community initiatives, this has not proved enough in the attempt to escape controversy, particularly regarding before-profit practice. In light of reported recent events in Kerala, this case study will not only discuss philanthropic activities in education, healthcare and water conservation, but also the alleged contamination of local water supplies by the company and issues that arise from the allegations.

2. Company Profile

The Coca-Cola logo is one of the world’s most recognised trademarks, an indicator of the extent of Coca-Cola’s penetration into communities across the world. Since launching in the Indian market in Agra in 1993, Coca-Cola has invested over US \$840 million to build new infrastructure and strengthen that already existing. In so doing Coca-Cola India has helped generate US \$163 million in foreign exchange, and has innovated in the beverage industry in areas of production, distribution and marketing.³ Principal commodities exported out of the India plants are glass bottles, trucks, black pepper, sesame, green coffee and black tea. Coca-Cola has also become one of the largest buyers of Indian coffee.

3. Project History and Development⁴

The Coca-Cola Company exists to benefit and refresh everyone who is touched by our business.
The Coca-Cola Promise

Coca-Cola India has always emphasised the importance of before-profit responsible practice. The company has a global tradition of serving local communities by providing financial assistance as well as goods and services, including technical advice during production stages. Assistance is provided to local suppliers enabling them to meet the company's rigorous quality standards. Modern technology and skills have also been made available to bottlers and suppliers. In this way, the company contributes not only to the development of the soft drink industry, but also to the development of related industries and the economy as a whole.

However, five years ago a "Corporate Citizenship Programme" was launched, which has consisted of a series of CSR projects in communities close to company plants. In addition to the sponsoring of sports events and cultural festivals, Coca-Cola India has sponsored projects in education, health, and water conservation. These are detailed below.

3.1. Education

3.1.1. Direct Investment

Jagriti Learning Centres provide primary education to the underprivileged, and benefit over 1800 children. Based near Coca-Cola plants in Pune, they are managed by some of India's best known NGOs, such as CRY (Child Relief & You), Pratham, Prayas and Literacy India. Coca-Cola India supports them by:

- Providing capital to buy computers and train teachers
- Promoting a community awareness campaign with Literacy India in Gurgaon

3.1.2. Future Education Programmes

In line with goals set by the United Nations, Coca-Cola India hopes to partner ANAWA (the Indian Army, Navy & Air Force Wives Association) and UNESCO in launching remedial educational schools. This will be Coca-Cola India's "signature" programme in the CSR field. The project aims to raise awareness levels, provide health education thereby preventing communicable diseases such as AIDS and Hepatitis-B. It will involve a one-off investment to build the schools, which aim to attend to the needs of the urban poor.

3.2. Health

3.2.1. Sponsorship

Following the success of a partnership between Coca-Cola India, the Indian Red Cross and Delhi state government in conducting Health Education Camps, the project was repeated in summer 2003 in partnership with the St. John's Ambulance Brigade. The objective was to raise awareness amongst the urban poor in slum areas on key issues such as HIV/AIDS, communicable diseases, immunization, hygiene and sanitation, reproductive and child health.

Coca-Cola India has also adopted Primary Health Centres in areas close to company units, and conducted basic training to the local communities. One future scheme involves partnering two resident welfare associations Coca-Cola India to fund an efficient garbage disposal project in Delhi.

3.3. Water

Harvesting rainwater is a huge initiative being promoted by the Indian government to combat water scarcity and reduced ground water tables across the country. Therefore Coca-Cola manages rainwater-harvesting projects at Delhi schools in partnership with the Central Ministry of Water Resources. A community water project at Jaipur, Rajasthan near the Coca-Cola plant in Kala Dera has been adopted. Rajasthan is India's desert state with depleting ground water and minimal rainfall. To enable availability of potable drinking water Coca-Cola has installed five hand pumps in Kala Dera village and two hand pumps in Malikpur village near Jamshedpur, Jharkand in East India. At Sridungri Village near to another Coca-Cola plant, the company supplies water throughout the summer season.

As it is, all the Coca-Cola plants are meeting statutory rainwater harvesting requirements.

3.3.1. Partnerships

Most of the activities by Coca-Cola India are implemented in partnership with local government or NGOs. The company supplements the infrastructure network of the Indian government with its education and healthcare programmes at State and District levels. It also executes its rainwater-harvesting programme working with a central government agency.

4. Attacks on Coca-Cola:

Coca-Cola India's commitment to after-profit investment in local communities cannot be denied. The company has worked alongside many government and non-governmental organisations in funding various education, healthcare and water conservation initiatives that target poor communities and those most in need of help.

However, criticisms of the company's before-profit practice in India have increased over the course of the last year. There have been reports of sit-ins and other protests directed at the Coca-Cola plant in Kerala, Southern India. Much of this relates to water conservation. It has been claimed that;

- The Kerala plant has drained in excess of one million litres of water per day reducing local supplies leaving many families and farmers with dry wells.⁵
- This in turn has created unemployment as coconut groves and vegetable crops have dried up.⁶
- The industrial waste (or “sludge”) that Coca-Cola sells or gives to local farmers as fertiliser due to its high phosphate content has been alleged to be of no chemical use to agricultural land.⁷
- It is also alleged that the sludge is dumped in dry riverbeds⁸ which has led to concern over the safety of local drinking water supplies. One report, having analysed water from around the plant, claims that it contains high levels of cadmium and lead – both of which pose serious health risks to flora and fauna and can affect the growth of children's nervous systems, and cause cancer, kidney and liver damage in any age group.⁹

4.1. Coca-Cola's Response

The company has so far denied all the above claims, and states,

These allegations are false. Neighbouring communities, tribal leaders, NGOs, environmental scientists and government officials have repeatedly rejected the extremists' allegations as totally groundless. The protestors continue to ignore the facts... Since investing in Kerala in 2000 the local communities have welcomed our business as a good corporate neighbour.

Coca-Cola Viewpoint¹⁰,
24 January 2003

A decision is yet to be made by Kerala State Health Department on whether or not the Kerala plant will stay open. However, the allegations against Coca-Cola, regardless of whether or not they are valid, holds several lessons that are applicable to many companies in conducting their business-community relations.

5. Key Outcomes and Lessons Learned

One lesson that can be learnt from this case study is that large corporations are never out of the limelight, even when conducting business in developing countries many thousands of miles from global headquarters. Public concern over multinational (mal)practice has grown in recent years, and as such any large company must be prepared to take full responsibility for its actions and be held fully accountable at all times. This is probably the best way in which to avoid bad press, public protests and a smear on the company name, even if the company is victim of malicious extremist attacks.

As such, Coca-Cola needs to tread carefully with how it treats protestors and the media. While the allegations remain unproven, it seems that the company is understandably acting defensively. However, a refusal to accept that there is a problem, or to take on board what the protestors are saying, might ultimately do the Coca-Cola brand more harm than a CSR programme does good.

Which leads to the final issue arising from this case study, and that is the nature of "corporate social responsibility." Coca-Cola India's "after-profit" initiatives are undoubtedly serving poor communities and benefiting many people. Yet there is still great dissatisfaction regarding the company's "before-profit" behaviour, whether the allegations are valid or otherwise. Indeed, the manner in which a company makes its money is still more important to people in the vicinity of a plant than how the company spends or reinvests its profits later. Therefore CSR might be better understood as charitable after-profit investments only when before-profit policy and practice is environmentally, and socially, responsible.

Endnotes

¹ The views expressed in this case study are those of the author and do not necessarily reflect those of the New Academy of Business, UNV or The Energy and Resources Institute (TERI).

² Kate Ives is an associate of the New Academy of Business who has assisted in the preparation of this case study.

³ Notes from the company – Coca-Cola India.

⁴ Inputs from Ms. Rakhee Kaushik, Associate Manager, CCI

⁵ Paul Brown, "Coca-Cola in India accused of leaving farms parched and land poisoned" in The Guardian, 25 July 2003

⁶ Ibid.

⁷ BBC Radio 4, "Face the Facts," Including an interview with Sunil Gupta, Vice-Chairman of Coca-Cola India. Friday 25 July 2003

⁸ Ibid.

⁹ Paul Brown, "Coca-Cola in India accused of leaving farms parched and land poisoned" in The Guardian, 25 July 2003

¹⁰ Available on the Coca-Cola website; <http://www2.coca-cola.com/presscenter/viewpointsindia.html>