

# Enhancing Business-Community Relations

## IFFCO Case Study



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## **IFFCO – Farmer Development, Environmental Stewardship and Social 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**

This case study examines initiatives implemented by IFFCO’s Phulpur Unit in Uttar Pradesh that take place while the company is conducting business as well as initiatives that are not directly related to business practice itself.<sup>3</sup> It provides an excellent example for companies wishing to improve upon their existing management systems, while simultaneously investing in local communities. Perhaps the most interesting part of IFFCO’s initiatives is in the field of farmer development, in which the “responsibility” boundaries between companies and non-governmental organisations (NGOs) are being stretched. This scheme, as well as social (employee) and environmental initiatives, are discussed.

### **2. Company Profile**

The Indian Farmers Fertiliser Cooperative (IFFCO) is one of the world’s largest manufacturers of fertiliser. Its membership has increased from 57 to 36,000 cooperative societies between registration in 1967 and 2002, and annual turnover is over Rs. 5000 crores. IFFCO has also promoted a number of joint-venture projects, such as KRIBHCO, Godavari fertilisers, Indian Potash, Industries Chiminique du Senegal, and Oman Fertiliser Company. It has recently entered into the non-life insurance sector with the formation of IFFCO-TokioGeneral Insurance Company in 2000.

IFFCO Phulpur (U.P.) is one of the four manufacturing plants in Uttar Pradesh and Gujarat. It operates primarily as an Ammonia-Urea Complex, and employs over 1300 people.

### **3. Project History and Development**

Motivations behind business-community initiatives are often difficult to ascertain, and IFFCO provides no exception. While the programme eliminating liquid effluent discharge into the public drainage system has helped in solving an administration related problem, it has also dramatically improved IFFCO’s environmental practice and thus aided business-community relations.

#### **3.0.1 Issues Addressed**

Although IFFCO is a large company it is unique in that its cooperative status enables close business-community relations. This has an impact on the initiatives it has undertaken to date, which can be broadly divided into three categories. Good **environmental** practice within the organisation is of paramount importance, while IFFCO also participates in national level campaigns aimed at reducing environmental impact. The second category contains **social** initiatives, involving employee rights and the opportunity to train during working hours but also targeting the residential townships and wider communities as a whole. Finally, IFFCO has made attempts at agricultural extension and farmer **development**, which might be indicative of the boundary between NGO and corporation becoming blurred.

#### **3.1. Environmental initiatives**

##### **3.1.1. “Before-Profit” Practice**

IFFCO has a well-defined environmental policy at both Headquarters and Unit level, and has established an Environment and Pollution Control Cell department. This in turn has implemented an Environment Management System in accordance with the International Organisation of Standardisation (ISO). It has also been externally audited by an Indian representative of the British Standards Institution. These initiatives are in accordance with national and international guidelines.

Waste Management, Natural Resource Conservation and Environment Protection have been shown to be of paramount importance to IFFCO Phulpur by the adoption of eco-friendly technology wherever possible. Technology has been chosen that produces negligible waste, conserves resources and reuses treated effluents to the maximum possible extent. Environment monitoring and control at Phulpur is efficiently met by providing all necessary instrumentation and pollution control measures for liquid effluent, air emission, domestic sewage and solid wastes.

The programme implemented at Phulpur addresses the following environmental issues;

- It conserves precious natural commodities, for example water. Fresh water consumption has been substantially reduced by 52 per cent of the originally envisaged consumption.
- By avoiding liquid effluent discharge into public drainage system, the pollution load in the surrounding area is reduced.
- Reusing treated water helps maintain groundwater supplies.
- The waste water is used for the irrigation of the green belt developed in usar (alkaline) soil. The continuous use of this effluent water changes, over time, the alkaline characteristics of the soil, which in turn is easier to farm.

- About 5 MT/month of waste sludge generated in the sewage treatment plant is used as good manure in IFFCO’s 150 acre farm land and horticulture.

### **3.1.2. National-Level Campaigning**

IFFCO has worked alongside the Department of Science and Technology to promote the use of fly ash as a soil reclaiming agent. It has also worked with Allahabad Deemed Agricultural University to research the use of spent catalyst as a source of micro nutrient for soil. Project and Development India Limited is also involved with IFFCO to find out various means to reduce pollution level for improving environment. Partnerships like these are essential for improving business-community relations, although state and educational institutions are not the only entities with which IFFCO can ally.

### **3.2. Social Initiatives**

“Social initiatives” here refers to treatment of employees and stakeholder while IFFCO is in the “business of conducting business.” Each unit in the company has standard procedures for monitoring Safety, Health and Environment (SHE) with trained specialists heading these departments. Hospitals, occupational health centres, gyms, recreational and sports facilities have all been provided through IFFCO’s financial contributions in the residential township of all units as well as the township for the corporate head office. Regular medical check-ups and SHE training programmes are conducted for employees *and* their families.

### **3.3. Farmer development and better agricultural practice**

Agricultural extension and fertiliser promotion programmes are an integral part of IFFCO’s marketing activity, however they also play a large part in improving farming techniques. Programmes aimed specifically at farmers include;

- Farmer visits to various agricultural institutes and research farms
- Farmers meetings, field days and crop seminars
- Mobile Soil Testing Laboratories with audio-visual aids for educating farmers on the proper and most effective use of fertilisers

These initiatives are of particular interest given the current debates around participatory development sparked by Robert Chambers<sup>4</sup> (1997). Emphasis has shifted over the past decade from simply improving farmers’ incomes (“Fordist” models) to developing more resilient farming systems (RRA or Rapid Rural Appraisal), and again more recently to facilitating farmers’ *own* experimentation and innovation (PRA or Participatory Rural Appraisal). IFFCO’s initiatives contain elements of RRA, which focus on developing more sustainable farming techniques and increasing farmers own learning. This is commendable as it might fall outside of the traditional “responsibilities” that a cooperative has. However, IFFCO is not an NGO and there is an inherent conflict between the desire to promote IFFCO’s own products and the desire to improve farming practice, with or without the use of fertiliser. The question remains then regarding the extent to which IFFCO’s farmer development initiatives are actually intended to facilitate farmers’ own innovation, or to invest in IFFCO products.

## **4. Key Issues and Lessons Learned**

According to McIntosh,<sup>5</sup> the difference between Corporate Social Responsibility (CSR) and Corporate Citizenship is the acceptance of a fuller understanding of the role of business in society

over the simple acknowledgement that business is answerable to a variety of stakeholders. The issues IFFCO addresses in promoting business-community relations are therefore indicative of the way in which IFFCO sees its own position within society. A corporate citizen might recognise the interests of those outside of immediate stakeholders of business activity. It will also be willing to form partnerships with community groups such as NGOs, and perhaps adopt codes of conduct that are relevant to more than just employee rights.

As a fertiliser cooperative IFFCO is certainly doing more than is perhaps expected in terms of improving business-community relations. Environmental initiatives have extended beyond following government regulations, to investing in energy-efficient technology and participating in national awareness campaigns. Employee welfare is of paramount importance, and IFFCO has started investing in local community projects as well.

The initiative that stands out, however, is agricultural extension and farmer development. Not only does IFFCO provide free saplings to local farmers, but it actively encourages their learning through field days and visits to research institutes.

What does this mean for CSR? First, this might suggest that IFFCO is moving away from philanthropy towards a more long-term strategy of social investment. The significance of this cannot be understated within the context of the other Indian case studies, the majority of which are still reliant upon seemingly ad-hoc philanthropic gestures.

However, it also raises the question of whether or not a company *should* be investing in the education of its market, when this is directly related to increasing sales, and therefore profits. There is obviously an ethical issue here. Such practice, without working in partnership with an NGO or some other kind of regulation from an outside party, could be interpreted as simply a marketing ploy. While this might not be the case it is certainly something a business should be aware of.

## Endnotes

<sup>1</sup> 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 TERI.

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

<sup>3</sup> This difference is often referred to as “before-profit” and “after-profit” practice.

<sup>4</sup> Chambers originally argued that development practice fails to adequately target the poor, while also failing to secure their participation in planned activities. See Kapoor (2002) and White (1996) for theoretical and practical critiques of Participatory Development. Chambers, R. (1997) *Whose Reality Counts? Putting the first last*; Kapoor, I. (2002) ‘The devil’s in the theory: critical assessment of Robert Chambers’ work on participatory development’ *Third World Quarterly* 23(1) pp.101-117; White, S. (1996) ‘Depoliticising Development: the uses and abuses of participation’ *Development in Practice* 6(1) pp.6-15

<sup>5</sup> McIntosh, M. et al (2003) *Living Corporate Citizenship: Strategic routes to socially responsible business* (FT Pitman).