

Enhancing Business-Community Relations

Tata Steel Case Study



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Tata Steel – Corporate Governance and Community 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 Tata Group is a giant family of businesses that dominates Indian markets. There is a long history of corporate responsibility within the group, and it is no surprise that all Tata companies have adopted a Tata Code of Conduct as well as many international standards.

This case study concerns initiatives undertaken by Tata Steel, as examples of those implemented by the wider organisation.³ It is divided into two broad sections; the first of which discusses corporate responsibility during the business process (entitled ‘Corporate Governance’); the second of which discusses social investment and philanthropy undertaken with the use of company profits and donations. Because Tata Steel appears to choose and implement projects of its own design, the last section contains discussion of the dangers (and benefits) of “targeting”.

2. Company Profile

Tata Steel is one of twenty-eight major corporations within the Tata Group. Founded in 1907, it is the largest private sector steel company in India, with a capacity of 3.5 million tonnes per annum crude steel production.⁴ Operations are spread across the country, with the steel manufacturing unit at Jamshedpur, and other manufacturing and mining activities situated in the states of Jarkhand and Orissa at eight locations. Headquarters are based in Mumbai, Maharashtra.

Tata’s stock is listed and traded on the Bombay Stock Exchange and the National Stock Exchange in New Delhi. Exports are primarily to Japan, the USA, the Middle East and South East Asian countries. It manufactures products including rods, pipes, tubes and rings. However it also provides services such as personnel and technical training, IT and Design and Engineering.

The company employs approximately 48,800 people as at April 2002, out of which 43,000 are directly involved with the steel business.

3. Project History and Development

The ideals and philosophy of the Tata Group originated from the founding father, Jamsetji Nusserwanji Tata (1839-1904). In 1895 he explained:

*We do not claim to be more unselfish, more generous or more philanthropic than others, but we think we started on sound and straightforward business principles considering the interests of the shareholders, our own and the health and welfare of our employees... the sure foundation of prosperity.*⁵

Throughout the last century, Tata pioneered the notion of employee benefits in India. It introduced the eight-hour working day in 1912 – an astonishing thirty-six years before the Indian government. Maternity benefits, schooling facilities and leave with pay are just some examples of benefits the Tata Group bestowed many years before it became law to do so.

These “sound and straightforward business principles” carried through the generations of Tata Chairmen to influence Ratan N. Tata, Chairman as of 1992. With such a strong tradition of corporate responsibility, it is no surprise that Tata’s current initiatives target community development and corporate sustainability.

The following section provides an overview of some of the initiatives Tata Steel has implemented and encouraged in recent years. The first part considers “before-profit” practice and “corporate governance,” that is to say the company’s conduct in the process of manufacturing steel. This includes employee welfare, Codes of Conduct, environmental regulation, and internal structures for improving the company’s accountability. The second part reviews “after-profit” practice, social investment projects that are not directly related to the “business” of Tata itself.

‘To seize the opportunities of tomorrow and create a future that will make us an EVA positive company. To continue to improve the quality of life of our employees and the communities we serve.’

Tata Steel’s Vision⁶

3.1. Corporate Governance

Tata Steel has articulated its policy position regarding human resources, the environment, and health and safety. It has a statement of purpose, a “vision,”⁶ and a mission that shape business-community relations as well as organisational structure.

Tata’s organisational structure is called the Tata Business Excellence Model (TBEM). This has been introduced across the Tata Group as a means of increasing efficiency and tightening business processes. Activities are broken down into the following;

- Market development
- Planning, control and risk management

‘Tata... shall not undertake any project or activity to the detriment of the nation, or those that will have any adverse impact on the social and cultural life patterns of its citizens.’

Tata’s Code of Conduct, Clause 1

- Investment management
- Operations (production and maintenance)
- Supply management
- Human resources management
- Social responsibility and corporate citizenship

Good “corporate governance” should be an integral part of *all* of these processes, not just (as often assumed) social responsibility and corporate citizenship. After all, a good corporate citizen needs to be accountable to stakeholders while conducting business as well as when investing in the community at a later date.

Tata Steel has gone some way in ensuring corporate governance at all stages of the business process. Every year the company aims to exceed its targets on the Employee and Customer Satisfaction Indexes, and the Corporate Citizenship Index. In order to improve its internal management systems it has also adopted two systems of evaluation;

- **Tata Code of Conduct** – Follows guidelines established by the UN Global Compact (to which Tata is also a signatory). A company signing to the Tata Code of Conduct entitles that company to use the Tata brand name. It prescribes principles by which all employees are expected to act.
- **Audit Committee**

3.1.1. Environmental Sustainability

Tata Steel was the first integrated iron and steel plant in India to have been certified with the ISO-14001 Environmental Standard, and one of only a few in the world to have this accreditation in 2000. It operates its own Environmental Management System (EMS), aimed at increasing efficiency and limiting environmental impact at all stages of steel production. This system focuses on improved staff education (including contractors), instituting a system of waste segregation and its eco-friendly disposal, the safe disposal of industrial waste and where possible, a 100 per cent recycling of hazardous wastes such as tar sludge, oil soaked jute, and waste acid from batteries.

‘A Tata company shall strive to provide a safe and healthy working environment and comply, in the conduct of its business affairs, with all regulations regarding the preservation of the environment of the territory it operates in.

A Tata company shall be committed to prevent wasteful use of natural resources and minimise any hazardous impact of development, production, use and disposal of any of its products and services on the ecological environment.’

Tata’s Code of Conduct, Clause 8

3.1.2. Departments

Tata Steel has also established several social departments and societies that work within the structure of the company. Table 1 (next page) lists them and details when they were established. Programmes implemented under these departments and societies are described in the next section, Social Investment.

Department / Society	Year established
Family Welfare	1951
Community Development and Social Welfare	1958
Tribal and Harijan Welfare Cell	1974
Tata Steel Rural Development Society (TSRDS)	1979
Environmental Management	1986
Tribal Culture Society	1990
Tata Steel Family Initiatives Foundation	1998

Table 1: Departments and Societies established by Tata Steel

3.2. Social Investment

This section reviews “after-profit” practice, work in and for the community that is not directly related to the “business of business.” Again, Tata Steel has internal procedures that guide policy, meaning that community initiatives are seldom ad hoc. Below are six of these initiatives or procedures, three of which are organised by some of the departments listed in Table 1 above.

3.2.1. Tata Council for Community Initiatives (TCCI)

TCCI is a product of the Tata Group’s commitment to the community. It serves to help the Tata companies in their business-community relations, by drawing up ‘Tata Guidelines for Community Development,’⁷ designing programmes then implementing them. Programmes include training courses in which Tata companies conduct technical (IT, vocational) training to members of the community. This is done with the help of company volunteers, often management staff. A forthcoming project involves forming a Tata Corps of Volunteers, under which employee volunteering will play an increasingly important role in developing business-community relations.

3.2.2. Tata Social Evaluation, Responsibility and Accountability (ERA)

ERA is a procedure by which Tata’s community projects are evaluated for their impact on the target communities and their level of accountability. Although ERA is not independent of Tata, such procedures are influential in improving programme delivery and ensuring continuing self-evaluation and learning.

3.2.3. Global Business Coalition (GBC)⁸

The Global Business Coalition on HIV/AIDS aims to check the growth of the disease with the help of over a hundred major international companies. Believing that business holds the necessary marketing skills, management and infrastructure to be able to raise awareness in rural communities, the GBC encourages companies to campaign with imagination and consistency.

Tata Steel has done just that, and won an award in June 2003 for “Best Initiative.” Initially Tata focused on educating employees, but now targets over 600 villages in the State of Jarkhand. This is done through the dissemination of mass media, as well as more inventive schemes, such as student workshops which employees are trained to deliver, or travelling street plays in local languages that reach the rural illiterate. Tata paid for six condom-vending machines in the city of Jamshedpur in public places, which are also proving to be a success. At one of these locations, a busy coach station, there is also a clinic where passers-by can have free check-ups and learn more about HIV/AIDS.

3.2.4. Volunteer Database

A ‘Directory of Employee Volunteers’ was established by the Tata Group as an efficient way of matching jobs in the community with employee skills and interests. A corporate committee, comprised of a senior executive, union and government officials, interacts with the communities to ascertain their needs. This is done on a quarterly basis with senior citizens of each village, and biannually with target women’s groups.

3.2.5. Health Initiatives

Working with government to prioritise projects, Tata Steel’s involvement in health initiatives remains largely philanthropic, with the exception of the Global Business Coalition for HIV/AIDS awareness scheme (see subsection 3 above). Tata Steel has invested in a local hospital which treats an average of 2,300 people per day. It has also bought specialist cancer-treating equipment, and part-finances the running of one blood bank, two rehabilitation centres and five homeopathic clinics. Donations to the clinics and centres are regular and on a long-term basis, which does indicate a move from ad hoc sponsorship to a more strategic social investment. This is organised by the Family Welfare department.

3.2.6. Culture and Education

Education and Youth Development Programmes have built and maintained infrastructure for sports across Jarkhand. Over 1,500 young people are currently training at Tata Steel’s two sporting academies, six training centres or their Adventure Foundation. Awards are given to employees who excel in sports. A Tribal Cultural Centre was built in 1993 and a Jubilee Amusement Park in 2001 to enrich the cultural heritage of the city of Jamshedpur.

Tata Steel has also invested in education, part-financing eleven schools and colleges that teach nearly 10,000 students per year.

3.3. Looking to the future

Along with the TCCI’s forthcoming project to formalise employee volunteering, Tata Steel also hopes to align more with global standards and initiatives. In 2001 Tata Steel produced a Corporate Sustainability Report following guidelines established by the Global Reporting Initiative. This is another step forward for the company looking to make its mark on the new corporate responsibility agenda.

4. Key Issues and Lessons Learned

Tata Steel has provided many examples of how business-community relations are approached by the private sector in India at the present time. Summaries of Tata initiatives reveal that the company is working to improve both “before” and “after-profit” practice.

Corporate governance is being tackled through increased transparency in business operations, illustrated in the establishment of an Audit Committee. The Tata Code of Conduct also means that the company holds certain principles, based on value judgements, that influence its policies and procedures. One result of this has been the adoption of various organisational structures that are responsible for targeting particular issues, such as the Family Welfare and Environmental Management Department.

Moreover, Tata Steel has seemingly pushed back the boundaries of what is expected from “corporate social responsibility” (CSR) in India at this time. Not only has it given donations to local

education, health and sports projects, but it has also demonstrated longer-term commitment in the establishment of the Tata Council for Community Initiatives (TCCI). Its participation in the Global Business Coalition to raise awareness of HIV/AIDS has earned international recognition over a sustained period. This is indicative of a move towards “social investment,” which heralds a more serious commitment to CSR than donations or sponsorship.

Tata Steel’s dalliance with employee volunteering is, however, of the most interest for this research project. It seems that the volunteer database enables the company to match volunteers with community positions easily and quickly. The experience then is more beneficial to everyone. It would be interesting to learn if employees are given incentives for volunteering, or if they are rewarded afterwards. This would have implications on the “real” motivation behind employees giving up their time for a local cause. Would this make a difference of the quality of work? Do volunteers need extra motivation anyway, or is altruism and personal satisfaction enough?

Another issue that arises from Tata’s employee volunteering scheme is the manner in which “jobs” and communities are chosen. On the Tata website, it is claimed that:

Companies are encouraged to design and implement programmes that help improve the health and hygiene of the various communities that are “adopted.”⁹

Prioritising health and hygiene programmes seems like a good idea, because it targets the community’s “basic needs.” The doubts appear because the companies are expected to design their own projects. Moreover, the term “adopted” implies that the communities themselves had little choice in the matter.¹⁰ All of a sudden it seems the company is dictating development programmes.

While this might be a misinterpretation, there are dangers in “top-down” approaches, especially when initiated by the private sector. In the first instance, the private sector might not have the technical knowledge to identify cause and solution. It is also possible that community projects are implemented in a manner similar to a business project. This might be by following a blueprint plan, rather than opting for a more flexible approach. It might lack community participation. Alternatively it might try to engage in community participation but have an inadequate understanding of power dimensions within the community that affects the outcome of the project.

In short, a business might not have the technical or sociological knowledge to implement a successful community project. Moreover, the community does need to have some opportunity to voice their complaints, for these to be heard and then challenged by way of a community project – although it is worth bearing in mind that often those who are able to “speak out” are not powerless.¹¹ Tata’s paternal “adoption” of communities is therefore worrying, the implication being that the “targeted” communities have minimal input into their future relations with the company. Although Tata Steel’s initiatives have served communities on many levels, a means of enhancing business-community relations in the future would require communication between both sectors, when both parties are able to contribute to project selection and planning procedures.

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 TERI.

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

³ See also Tata Engineering and Locomotive Company (TELCO) in this set of case studies, produced by the New Academy of Business and United Nations Volunteers.

⁴ Cited in Tata Steel (2000-01) *Corporate Sustainability Report*

⁵ Cited on the Tata website, “Beyond Business” section, last reviewed 31 July 2003; www.tata.com/0_beyond_business/community/index.htm

⁶ The Tata Steel Vision, available on www.tatasteel.com/corporateprofile/vision.htm. Last reviewed 31 July 2003.

⁷ Tata Council for Community Initiatives Report, 1999-2001

'Enhancing Business-Community Relations' – Tata Steel Case Study, India

⁸ Please see Saloni Meghani (2003) 'In good company' for more details. Available on; www.tata.com/tata_steel/articles/20030802_aids.htm Last reviewed 31 July 2003.

⁹ The Tata Group, *Beyond Business*, available on; www.tata.com/0_beyond_business/community/index.htm Last reviewed 31 July 2003.

¹⁰ See Geoff Wood (1985) *Labelling in Development Policy* (Sage).

¹¹ See L. Haddad and R. Kanbur (1992) 'Intra-household inequality and the theory of targeting' European Economic Review 36 pp. 372-8 for gender and power; also A. Norton, T. Conway and M. Foster (2002) 'Social protection: defining the field of action and policy' Development Policy Review 20 (5) pp. 541-567.