

CONCEPTUALIZING & IMPLEMENTING CSR THROUGH ETHICAL LEADERSHIP: A CASE STUDY OF POWER SECTOR IN INDIA

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ABSTRACT

Corporate Social Responsibility (CSR) is now mandatory in India after enactment of the Section 135 of the Companies Act 2013, for a certain class of companies. (which triggers upon fulfillment of a specified Turnover, Net-worth & Net Profit during any financial year). The minimum amount spent should be 2% of the average net profits(amount non- spent should be disclosed in the Annual Report). In India, Power Sector Companies (be in Private or Public Sector) are mostly under the ambit of mandatory CSR coverage. Their PAN India presence, coupled with its huge socio -economic ramifications makes it one of the most important contributors to the Social development and Human Development Index (HDI). The amount spent by power sector companies in the last ten years is very high and is expected to increase further in the coming years. This makes it all the more relevant. The Power Sector value Chain (ie the Generation, Transmission & Distribution Business) has played and will always play a very crucial role in the sustainable development of the economy & the environment in the coming days. The Power Sector companies are large entities, capital & labour intensive and has a very important presence in the life of a common man. Availability of Power and consumption of electricity is a very important index to measure the development of a nation.It has been noticed that more developed countries generally have a greater HDI(Human Development Index) .There is high correlation between energy use (including power consumption) and HDI. Conceptualising CSR at macro level and delivering it at grass root level by joining hands with industries, NGOS, across industries, across geographic boundaries, and across both public and private sectors to address the concerns and problems of all stakeholders of Power Sector is bound to improve the quality and impact of their CSR activities. The aspect of ethical leadership at Board level & higher echelons of management in the Power Sector entities both from the serving and retired will connect the CSR activities to the real beneficiaries. It has to start from the vision and mission of the companies. Ethical leadership and involvement of top leaders (both retired and in service) together with partnering with NGOs, and other experienced entities will deliver greater value to society than those working in isolation. Local, National, and global resources should be pooled both in tangibles and intangibles forms. This will accelerate social changes towards inclusive growth. The present article attempts to showcase this area of ethical leadership in strategizing and implementing CSR in India with special reference to Indian Power Sector.

Keywords: *Corporate Social Responsibility, Sustainability, Ethical Leadership, Indian Power Sector.*

JEL Classification Code: *M140 (Corporate Culture, Diversity, Social Responsibility)*

Introduction

One of the most unique forms of establishment designed and developed by mankind is the creation of the Corporate Entity given birth through various statutes in different countries by different names. The corporate world, as we all know consists of various forms of entities like sole proprietorships, Partnerships, limited Companies, LLPs, Private Companies, Public Companies, listed Companies, unlisted companies, Government Companies, PSUs, MSMes, Multinational Corporations, profit making, non-profit entities and several other forms of organizations. They are formed under their respective statutes and has an independent legal existence and perpetual succession mostly or ends with due course of law.

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If we for the time being concentrate on the corporate, particularly the big ones and having global or national presence, then these entities are now striving towards fulfilment of varied objectives & goals as per the vision and mission of these companies. However one common goal which was emerging during the past several years was the maximization of wealth of the shareholders and the owners. However with globalization and growing competition amongst the corporate, sustainability has now become the buzzword and the key parameter of existence. Business leaders have now to rise to the occasion to give collective and dynamic leadership. We all know that several business leaders have done very well for their organizations. But this has led to increase in the gap between the haves and the have nots leading to a marginalized bottom of the pyramid which is increasing day by day. The need of the hour is the ethical & dynamic leadership of these corporate for conceptualizing and delivering the CSR initiatives, prioritize actions and deliver sustainable impacts to the society.

The Indian Power Sector is one such sectors of the economy which can contribute a lot through their CSR activities towards the sustainable growth and development of the economy and the society. The power sector consists of Capital & labor intensive entities. They have tremendous employment potential and recruits and employs a varied mix of technical & non technical professionals from all walks of life. Their presence is PAN India and covers both Government sector & Private sector entities.

Public opinion about the Power Sector Companies is not very good always. Moreover, the Indian Power Sector particularly the Generating Companies (GENCOS) and the Distributing companies (DISCOMS) have to face a lot of heat from the general public in spite of contributing a lot to the society through their CSR activities. This is because of their nature of activities like land acquisition, ROW (Right Of Way issues), political disturbances and political encroachment, sensitive issues of tariff structure, load shedding, operational & maintenance issues, after effects of cyclonic storms, rains etc & importance of electricity in the overall economy, its crucial nature as an input in industrial and social development. There are a lot of interconnecting issues effecting the GENCOS, Transcos and the Discoms, (ie the Power Sector Value Chain in totality consisting of Generation-Transmission-Distribution) and CSR can act as very important tool and strategy in bridging the gap so as to enable the power sector to contribute to the sustainable growth of the economy and lead to a paradigm shift of the public perception about power sector entities and their role in the society.

CSR is here to stay and every company needs a cohesive, integrated CSR strategy that plays on its core strengths and organisations capacity. By strategically managing its CSR activities, every power company can maximise its benefits to society and the environment, create societal value and fulfil the motivations of its numerous stakeholders.

There are different classes and types of leaders we experience in our lives. We have the knowledge leaders in the academics, social leaders in the civil societies and NGOs, political leaders, and most important for this article, the corporate leaders at all levels, but mostly at the top levels, the Board level, management level, functional levels, employee levels, retired corporate leaders, which I want to concentrate on, thinking about the long term sustainability of the environment. Their ethical orientation and philosophy of giving back to society and thinking about the environment, stakeholders & long term sustainability while conceptualising the CSR activities, and implementing them for deep rooted impacts on the society is of paramount importance for overall development of the society.

Problem Statement

Inspite of several negative impacts of the corporates actions on society, we have been witnessing a rapid growth in the number of these organizations in the past several years cutting across geographical barriers. This goes on to show that the positive impacts of these entities outweighs their negative impacts in most of the cases. Moreover, there are a number of issues & problems encompassing our society for which the corporates are not directly responsible like, poverty, unemployment, rich poor divide, infant mortality, Low Human development index, low literacy etc. These adverse effects may be very localized, regional, national and global impacts. Yet these problems also needs to be addressed simultaneously to bring about overall development of the society. The challenge is humongous, and there is no single solution. But what I have studied and felt, CSR can act as a very important tool to solve many of such societal issues and problems. Power Sector companies should attempt to resolve such adverse impacts they create on the society and also tackle some of the burning social issues. CSR & sustainability are interlinked issues having connected dimensions. The Power Sector is one of the main consumers of finite natural resources and also forms the fundamental inputs for most industries and growth economy.

Ethical behavior & leadership will create simultaneous economic growth and competitiveness, along with protecting consumers interest and society's interest. Tatas, Birlas, Philosophy of giving back to the society, many times more, is an example of value -based trusteeship. Ethical leadership refers to the values and acts of leadership that conform to ethical norms. The Power Companies have to work in a regulated environment now. The CERC (Central Electricity Regulatory Commission) & the SERC (State Electricity Regulatory Commissions) are the regulators of the Central & State Power utilities respectively. However, there are several policy issues, and other societal issues in which a participatory approach may be encouraged through joint discussion with the stakeholders. Here comes the role of ethical leadership in the Power Sector entities. The CSR activities are now guided by the Section 135 of the Companies Act 2013, and there is a lot of scope for new thinking by the business leaders within the overall ambit laid down by the statute. We need to neutralize the harm that we have done to the people and the environment, due to our business operations and do further more to improve their quality of life. This is more true for the Power Sector Companies whose sustainable existence is all the more important considering the depletion of the fossil fuels for power Generation. The secret of sustainability is not to deplete scarce resources but to explore use of alternative sources of power generation like Solar energy, wind energy, Ocean Energy, standalone off Grid Solar Projects etc. The present study intends to look into the very pertinent issue of ethical leadership in the power sector at this very crucial juncture strategizing CSR as a very important tool towards sustainable growth of this very vital sector of the Indian Economy.

Objectives of the Study

The Present study aims to redefine and reposition the role of corporate leaders of the Power Sector in taking the lead in conceptualizing and implementing correct CSR policies and actions in broad lines of Schedule VII under Section 135 of the Companies Act 2013. India is the third largest producer and second largest consumer of electricity in the world. India has an installed power capacity of 377.26 GW as of February 2021. Electricity is in the concurrent list. There are both Central Government & State Government entities and also Private players in the markets. Renewable energy is fast emerging as a major source of power in India. The Government of India has embarked upon a target to install 227 GW of renewable energy capacity by FY22. All the states and union territories are really striving hard to fulfil the Government of India's vision of ensuring 24x7 affordable and quality power to all. India achieved 100% household electrification by March 31, 2019, as outlined under the Saubhagya scheme. Indian power sector is undergoing a significant change that has redefined the industry outlook. Sustained economic growth continues to enhance electricity demand in India. The Government of India's focus on attaining 'Power for all' has led to acceleration of capacity addition in the country. At the same time, the competitive intensity is increasing at both the market and supply verticals (fuel, logistics, finances, and manpower). Under such a vital backdrop, a new thinking and outlook will enable the top leaders to sharpen their ethical philosophies from conceptualizing to implementing various CSR programs/projects by partnering with NGOs, other power companies, and synergizing individual corporate & social responsibility with institutional CSR. This is because based on the mandatory requirements, the amount of money to be spent on CSR by the power sector companies in India in the next ten years will be of paramount importance. We need leaders with out of the box thinking and having ethical bent of mind from all walks of life in the Power Sector to take the mantle of CSR to the needy, so that the real impact of the CSR activities is seen to trickle down. Not only the amount of money to be spent is huge, but the quality of CSR activities, and its impact down the level is expected to lead to a permanent & sustainable social & economic development.

The Methodology

Considering the nature of the topic, my initial plan was to interview the executives and top brass of the renowned power sector companies in India along with studying their annual reports and data available in the CSR portal of the Government of India. Several issues of the Powerline Magazine were also studied to see the latest developments in the Power Sector & CSR activities in Power Sector, along with key managerial personalities of the Power Sector Value Chain. Data, figures and research reports of CII, ASSOCHAM, FICCI etc were also studied. The websites of at least 50 Power Sector entities were studied to know the details of their CSR policies, CSR sectoral spendings, their CSR disclosures, impact assessments of the CSR activities. Interview snippets of several top leaders in Power Sector companies about their CSR activities were also studied for the purpose of this study. Details of CSR National awards were also examined like the India CSR Awards, ICSI CSR Excellence Awards etc. Let me first clarify on the constituents of the sample frame and data I studied. By Power Sector, for the purpose of this study I have covered both the Central PSUs (like NTPC, PGCIL, DVC, NHPC) and state PSUs along (Discoms,

Transcos, & Gencos etc)with the major Private Players(Like TATA Power, JSW, Torrent Power, Adani Power, SJVN Ltd, CESC in the Power Sector value chain. The study also covers the entities connected with power sector like PFC Ltd, REC Ltd, and the companies under the MNRE (ie the Solar Power Generating Companies like Vikram Solar, Adani Solar, Wree Energies Ltd,Tata Power Solar, Renewsys Solar, Swelect Energy systems etc) who are also considered to be very vital players in the Power Sector now. Multiple focus groups, consisting of high Officials both in the Public & Private Sectors, Bureaucrats involved in CSR strategy formulation & implementation in power sector industries, consultants, experts in the CSR area, academicians, research scholars , NGOs, etc were selected to share their experiences, opinions and views on the topic. Moreover, retired government & private sector officials who have been involved in CSR strategy formulation & implementation in the last ten years. The study presented in this paper is a part of a comprehensive research on ethical leadership and ethical decision-making in Power Sector Companies in India. In this article, I have focused on CSR in the Indian Power Sector environment and its link to ethical leadership. It may be noted that the determinants of CSR activities in the Indian Power Sector are mainly strong Government Policies, Political influence & interference, Altruistic activities, Public interest assumptions, and the will of the Government in Power. Moreover using Government platform to protect business interests is also one of the key determinants of CSR in the Power Sector in India.

Literature Review

There are a lot of literatures available on the subject of ethical leadership in the management domain. CSR requires leaders to connect with individual companies social responsibility with larger social requirements and mature to greater sustainability philosophy in the long run. Ethical leadership is knowing & understanding your core values and having the courage to live them in all parts of your life and your business, in service of the common good. Ethical Leadership plays a very important part in making a positive impact on the society. Ethical leadership can lead to confidence amongst the potential investors, Built customer loyalty, establish trusts amongst employees, vendors & creditors, a happier workplace environment and leads to better thinking about social good and CSR activities within the top leaders of the Corporate world. More and more cases show that the ethical stance of senior executives, especially their CSR leadership, has far-reaching impact on the company's development. By setting a personal example, leaders model the values of the organisation as their moral development renders them sensitive to CSR policies. A sense of duty and justice among leaders results in CSR behaviour which in turn strengthens employee–organisation linkages, thus entrenching value alignment.

My review of the literature found that there is:

- A connection between ethical leadership and CSR, as well as the focus of scholars on this topic, which has been well documented (Saha et al., 2020).
- The Power Sector in India , particularly the Public Sectors (both Central & State PSUs, SEBs in earlier times) are headed by bureaucrats, Civil servants and senior professionals from Engineering, Finance, & HR background mostly. Their attitude, thinking, vision and leadership ethics mostly determine the CSR policies, strategies and impacts of the CSR activities in the Indian Power Sector.
- Muniapan & Satpathy (2013) states that three levels of social responsibility (ie individual , institutional& global social responsibility)determine the essential dharma and karma of these corporate leaders and the strategies they take to ensure transparency, accountability, corporate governance, and CSR towards inclusive growth of these organisations.
- Employing external agencies like NGO's, Trusts, Section 8 companies, etc has become fashionable to execute CSR Programs and the much publicized way for soe companies in India.
- Chen et all (2014) considers CSR as an internal phenomenon dependent on employee engagement, towards conceptualising, strategizing, participating and decision making in CSR activities. This demands leaders from employees, workers, staffs, mangers, executives and top management and at Board level to join hands in base level CSR execution. This will also lead to engagement of employees also after superannuation.
- Du et all (2013) states that transformational leadership is more likely to engage in institutional CSR practices. Often we are drawn to conclusion by the styles of a top leader in an organisation. This is all the true for large Power Sector Companies where any dynamic CMD, or any dynamic Director, Senior Executive can be transformational in strategy formulation to policy making to implementation of CSR activities which is carried on by the future generations. Merely just spending higher & more amount of money wont serve any purpose, if the impact to the society is not effective. We need to inculcate and imbibe ethical leadership in conceptualising &

implementing CSR. This is possible if corporate leaders specialised in particular domain like finance, HR, social sciences, engineering, marketing, ethics etc are encouraged to offer their expertise, time, and energy with the mandated funds towards CSR. For this, corporates in Power Industry should forge strong alliance to address special social issues within the ambit of Schedule VII and section 135 of the Companies Act 2013.

Discussion

Individual ethical leadership is the essence of CSR. The foremost brick of ethical foundation is an individual. Individuals and groups of individuals are the bed rock of not only corporate leadership but of social leadership also. We need to surrender some of our personal opinions, personal freedom, and personal flexibility in the larger interests of creating an ethical society. Corporate leaders should visualize the fall out of their business operations and see its adverse impact on the society which the government is unable to mitigate. Corporate leaders in Power Sector should gradually take over the social responsibility from government institutions. I am convinced that the beginning of good corporate Governance is Good ethical leadership. The connected dimensions of corporate governance, CSR and corporate sustainability should be seen holistically and this is where the role of ethical leadership comes in to play. At the Board level, we should devise a system by which Power Companies delivers values to the society rather than simply profit. In fact Power being a regulated industry, it is all the more important to be socially responsive. It is the leaderships concern for CSR which will make them more ethical. We need to develop visionary leadership in Power Sector in the days to come. As many as 50 companies shows correlation between CSR focus and corporate performance. Employee volunteering for CSR was also a contributing factor towards industrial harmony.

Let me now name a few corporate visionary leadership of the past and the present & future leaders in the Power Sector CSR Arena:

- Ratan Tata(Tata Group)
- Azim Premji(Wipro)
- Narayana Murthy(Infosys)
- Dilip Shangvi(Sun Pharma)
- Mukesh Ambani(Reliance)
- Shipra Sharma (L&T- CSR)
- Srinivas Shroff Nagesha Rao (REC Ltd, CSR CEO)
- Dilip Kawade (Group Head, CSR ,Tata Power)
- G Sridhar (GM, CSR & R&R, NTPC)
- Anjan Sanyal (HR & CSR Power Grid)
- Purnendu Kumar (Adani Group CSR)
- Dr.Anil Kr Tripathi (NHPC CSR)

Let me also name a few CSR projects in Indian Power sector which has done remarkably well for the society & sustainability.

Tata Power CSR projects in 16 States throughout India.

NTPC's CSR projects/ CSR covers a diverse range of issues such as basic infrastructure development, education, community health & sanitation, capacity building and gender empowerment. NHPC's CSR initiatives covers community living in and around its Projects/ Power Stations/ Units in the areas of Education, Health, Sanitation, Rural Development, Skill Development, Environmental sustainability, Women Empowerment, Promotion of sports, arts & culture etc.

CSR Projects /programs of the major Power Sector entities covers that of Adani Power, CESC, several private sector power entities, Vikram Solar, Various State Gencos, Discoms, Transcos, and REC Ltd & PFC Ltd who spends a handsome amount every year in CSR activities. What I mean to say is that all these organisations have done remarkably well in CSR and the main contributing factor has also been the visionary leadership of their Board members, top leaders, and CSR heads having ethical leadership attributes. Most of the renowned Power sector companies under these ethical leaders have bagged CSR Awards also in the past & present every year.

Conclusion

Leadership is an evolving process. Though profit is definitely a motive of corporate leaders profit is not the end of the road.Power sector in India is one of the most diversified in the world. Ethical leadership will drive Indian Power Companies to its social obligations too. Power Companies already have their social obligations of catering to the power requirements & providing 24x7 quality power at

affordable price to all citizens of the country. But in addition to this basic objective, they have to perform their social tasks. Ethical leadership is not the privilege of the management or a few in the Board room alone. It has to reflect in the vision & mission action statements. Corporate leaders are well equipped in the Power sector to perform their social tasks with their high skill sets and ability towards optimal resource utilization. Ethical leadership is not only a tool or method of governance, it is a holistic philosophy of a company towards accountability, transparency, discipline, digitalization, and to connect to the greater goals of sustainability. Like corporate leaders, the Power Sector Companies are also evolving through their life cycles in the new regulatory regime. There are enough resources available, particularly in the renewable sector, if alone someone can ensure fair and just delivery of benefits to the citizens and the needy. This will push the sector onto a trajectory of sound commercial growth and to enable the States and the Centre to move in harmony and coordination. Who else is better equipped to do this than the corporate leaders? Ethical leadership will ensure this holistic & total delivery of CSR to the target beneficiaries. I am hopeful the coming years would see this happening.

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