

ITC: The Indian Tobacco Major's Corporate Social Responsibilities and Sustainable Initiatives for Ethical Leadership

P Stella

Abstract

ITC is a global exemplar in sustainable business practices and is the only in the world, of comparable dimensions to be 'carbon positive', 'water positive' and 'solid waste recycling' positive. ITC businesses generate livelihoods for around 6 million people, many of whom represent the poorest in Rural India. The pioneering farmer empowerment initiative, ITC e-Choupal, is today the world's largest rural digital infrastructure and is a case study at the Harvard Business School besides receiving several global awards. Under the leadership of Y.C. Deveshwar, the group carried forwards this legacy and consolidated its businesses further in India while also acquiring a global footprint. ITC Group had managed to build its empire emphasizing the twin pillars of "diversification" and "sustainable development" - so much so that these had become a key aspect of the ITC brand. ITC has transformed itself from a leading cigarette manufacturer to an umbrella group which offers a diversified product mix to enhance its brand image and reduce dependency on tobacco - related products.²

Keywords: Ethical leadership, Corporate Social Responsibility, Diversification Strategy, Sustainability, Triple Bottom Line

Pedagogical Objectives

- To study how ITC Group had established a strong position in India while emphasizing on ethical leadership
- To understand the triple bottom line philosophy of ITC
- To learn about the environmental and community initiatives undertaken by ITC

Background Note

Apart from embedding into our business models a direct linkage between business objectives and societal goals, we are also engaged in implementing various other sustainable development initiatives to make a meaningful contribution towards social empowerment and genderised development."¹

ITC was incorporated on August 24, 1910 under the name Imperial Tobacco of India Limited. As the ownership progressively Indianised, the name of the Company was changed from Imperial Tobacco of India Limited to India Tobacco Limited in 1970 and

then to I.T.C. Limited in 1974. In recognition of the 's multi-business portfolio encompassing a wide range of businesses - Fast Moving Consumer Goods comprising Foods, Personal Care, Cigarettes and Cigars, Branded Apparel, Education and Stationery Products, Incense Sticks and Safety Matches, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business and Information Technology - the full stops in the company 's name were removed and now stands rechristened 'ITC Limited,' where 'ITC' is today no longer an acronym or an initialised form.³

ITC is one of India's foremost multi-business enterprise with a market capitalisation of US \$ 45 billion and a turnover of US \$ 7 billion. ITC is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine and as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group. ITC also features as one of world's largest sustainable value creator in the consumer goods industry in a study by the Boston Consulting Group. ITC has been listed among India's Most Valuable Companies by Business Today magazine. The Company is among India's '10 Most Valuable (Company) Brands', according to a study conducted by Brand Finance and published by the Economic Times. ITC also ranks among Asia's 50 best performing companies compiled by Business Week.

ITC's Diversification Strategy

ITC's aspiration to create enduring value for the nation and its stakeholders is manifest in its robust portfolio of traditional and green field businesses encompassing Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, and Information Technology. This diversified presence in the businesses of tomorrow is powered by a strategy to pursue multiple drivers of growth based on its proven competencies, enterprise strengths and strong synergies between its businesses.

The competitiveness of ITC's diverse businesses rest on the strong foundations of institutional strengths derived from its deep consumer insights, cutting-edge Research & Development, differentiated product development capacity, brand-building capability, world-class manufacturing infrastructure, extensive rural linkages, efficient trade marketing and distribution network and dedicated human resources. ITC's ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services.⁴

Within a relatively short span of time, ITC has established vital brands like Aashirvaad, Sunfeast, Dark Fantasy, Delishus, Bingo!, Yippee!, Candyman, mint-o, Kitchens of India in the Branded Foods space; Essenza Di Wills, Fiamma Di Wills, Vivel, Vivel Cell Renew, Engage and Superia in the Personal Care products segment; Classmate and Paperkraft in Education & Stationery products; Wills Lifestyle and John Players in the Lifestyle Apparel business; Mangaldeep in Agarbattis and Aim in the Safety Matches segment. This growth

has been rated by a Nielsen Report to be the fastest among the consumer goods companies operating in India.

ITC's e-Choupal Initiative

E-Choupal, the unique web-based initiative of ITC's International Business Division, offers the farmers of India all the information, products and services they needed to enhance the farm productivity, improve farm-gate price realisation and cut transaction costs. Farmers can access latest local and global information on weather; scientific farming practices as well as market price at the villages itself through this web portal – all in Hindi. E-Choupal also facilitates the supply of high quality farm inputs as well as purchase of commodities at their doorstep. Given the literacy and infrastructure constraints at village level, this model is designed to provide physical service support through a e-Choupal 'Sanchalk', who acts as the interface between the computer terminal and farmers.⁵

Present Outlook

Today, ITC is India's leading Fast Moving Consumer Goods company, the clear market leader in the Indian Paperboard and Packaging industry, a globally acknowledged pioneer in farmer empowerment through its wide-reaching Agri Business and runs the greenest luxury hotel chain in the world. ITC Infotech, a wholly-owned subsidiary, is one of India's fast-growing IT companies in the mid-tier segment. This portfolio of rapidly growing businesses considerably enhances ITC's capacity to generate growing value for the Indian economy.

ITC's Agri-Business is one of India's largest exporters of agricultural products. The ITC Group's contribution to foreign exchange earnings over the last ten years amounted to nearly US\$ 6.0 billion, of which agri exports constituted 57%. The Company's 'e-Choupal' initiative has enabled Indian agriculture significantly enhance its competitiveness by empowering Indian farmers through the power of the Internet. This transformational strategy has already become the subject matter of a case study at Harvard Business School apart from receiving widespread global acclaim.⁶

As one of India's most valuable and respected corporations, ITC is widely perceived to be dedicatedly nation-oriented. Chairman Y C Deveshwar calls this source of inspiration "a commitment beyond the market". In his own words: "ITC believes that its aspiration to create enduring value for the nation provides the motive force to sustain growing shareholder value. ITC practices this philosophy by not only driving each of its businesses towards international competitiveness but by also consciously contributing to enhancing the competitiveness of the larger value chain of which it is a part." ITC group directly employs more than 31,000 people and the Company's Businesses and value-chains generate around 6 million sustainable livelihoods many of whom live at the margin in rural India.

Triple bottom line philosophy of ITC

ITC's commitment to superior triple bottom-line contribution is manifest in its globally acknowledged initiatives that create impactful societal value. ITC has sustained its position as the only enterprise in the world of comparable dimensions to be carbon positive, water positive and solid-waste recycling positive for several years now. ITC's sustainable business models today support around 6 million livelihoods across the country. ITC's Sustainability Report has been published for the 11th year now. The latest edition is in accordance with the new G4 guidelines of the Global Reporting Initiative. ITC is one of the foremost in India to report at the highest "Comprehensive" level, well ahead of the global deadline.

Acknowledged as a global exemplar in sustainability, ITC is the only enterprise in the world, a testimony to its commitment to a low carbon growth path - over 38 % of the total energy requirements of ITC is met from renewable sources. All ITC's premium luxury hotels are LEED (Leadership in Energy and Environmental Design) Platinum certified making it the "greenest luxury hotel chain" in the world. ITC's Paperboards and Paper business is an icon of environmental stewardship.

ITC's production facilities and hotels have won numerous national and international awards for quality, productivity, safety and environment management systems. ITC was the first company in India to voluntarily seek a corporate governance rating.

CSR Philosophy of ITC

Recognizing that business enterprises are economic organs of society and draw on societal resources, it is ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability. ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC will continue crafting unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility ("CSR") projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. These initiatives are independent of the normal conduct of ITC's business. Programmes, projects and activities (collectively "CSR Programmes") carried out in this regard are the subject matter of this policy.⁷

CSR Policy of ITC

1. To direct ITC's CSR Programmes, inter alia, towards achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those

from disadvantaged sections of society, in rural and urban India; preserving and promoting sports;

2. To engage in affirmative action interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons from disadvantaged sections of society;
3. To carry out CSR Programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies towards "Enterprise Social Responsibility (ESR)" activities and to spend such monies through ESR/CSR Cells of such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;⁸
4. To provide equal opportunities to beneficiaries of the Company's CSR Programmes as vendors or employees on merit;
5. To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII) through the CII-ITC Centre of Excellence for Sustainable Development, in order to have a multiplier impact.

An Example of ITC's Experience in CSR

ITC invested in extensive R & D to create clonal saplings which would be disease resistant and grow much faster in relatively harsher conditions. These saplings have made the growing of pulpwood species on degraded wastelands a sustainable livelihood option, and consequently a life-changing proposition for marginal farmers and tribal's in the economic vicinity of the mill.

ITC is a willing buyer of such produce, whilst the growers are free to sell to the highest bidder in the open market. Today, this programme covers over 80,000 hectares and has provided over 35 million man days of employment. This approach has also brought with it a multiplicity of additional benefits -- creation of a green cover for carbon sequestration, ground water recharge, regeneration of biomass and the nurturing of depleted soils. The green cover created has also enabled ITC to achieve a unique distinction of being a carbon positive company for consecutive years.

Global Exemplar in Sustainability

ITC endeavours to embed the principles of sustainability, as far as practicable, into the various stages of product or service life-cycle including procurement of raw material / service, manufacturing of product or delivery of service, transportation of raw materials and finished goods, and disposal by consumers.

ITC believes that an effective stakeholder engagement process is necessary for achieving its sustainability goal of inclusive growth. ITC accordingly anchors its stakeholder engagement on the principles of:

1. Materiality -taking prioritised consideration of the environmental and social impacts identified to be important to the organisation as well as its stakeholders;
2. Completeness - understanding the stakeholders' key concerns and expectations;
3. Responsiveness - responding coherently and speedily to such issues and concerns.

ITC believes that it is necessary to represent to and engage with authorities on matters concerning the various sectors in which it operates. ITC's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders. ITC believes that it is necessary to represent to and engage with authorities on matters concerning the various sectors in which it operates. ITC's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders. ITC believes in a "No Child Labour and No Forced Labour" policy.⁹

ITC believes that diversity at the workplace creates an environment conducive to engagement, alignment, innovation and high performance. This is achieved by a policy that ensures diversity and non-discrimination across the Company. ITC provides products and services of superior quality and value by sourcing its technologies, equipment, inputs and finished goods from reputed international and Indian manufacturers and suppliers. ITC expects its business partners to establish a human rights compliant business environment at their workplace. ITC believes that its vendors and suppliers must establish processes for mapping/monitoring progress on human rights performance.¹⁰

Criticism

ITC was also criticized regarding some of its sustainability initiatives. According to some critics, since ITC's main business was the Cigarettes and Leaf Tobacco business which was detrimental to human health, the company's sustainability initiatives were merely a part of its strategy to downplay the reality that it would affect the health of people.¹¹

Conclusion

ITC has endeavoured to build world-class Indian brands. In a relatively short span of 10 years, a vibrant architecture of popular brands has been crafted organically. Some of them are already clear market leaders in their segments. In aggregate, these new consumer brands currently represent an annualised consumer spend of over Rs.10,000 crores.¹² It is a matter of pride that ITC's brands have anchored the development of competitive value chains benefitting some of the poorest regions of the country. In conjunction with ITC's social investment programme for integrated rural development, these brands have enabled the empowerment of millions of disadvantaged in India's villages by generating sustainable livelihoods. ITC's CSR programme includes farmer empowerment through the globally acclaimed ITC e-Choupal, large-scale Watershed Development, Social Forestry, Animal Husbandry, Women's Empowerment and Primary

Education which together have transformed rural lives, winning global acclaim and recognition.¹³

References

"Chairman's Speech 2014", www.itcportal.com

"ITC unveils site for global customers", [www.financial express.com](http://www.financialexpress.com)

Sustainability Report 2013, <http://www.itcportal.com>.

"Waste to Wealth: ITC's Success Story", <http://www.rediff.com>, February 11, 2006, <http://www.cseindia.org>

The ESG India Index was launched by Standard and Poor's, CRISIL and KLD Research & Analytics in January, 2008, <http://www2.standardandpoors.com>

Credit Rating and Information Services of India Ltd. (CRISIL) is a major ratings, research, risk and policy advisory in India. Standard & Poor's is a majority shareholder in CRISIL. <http://en.wikipedia.org>

KLD Research & Analytics, Inc. Source: <http://www.kld.com>

"ITC among Top Three in S&P ESG India Index," <http://www.itcportal.com>, February 13, 2012,

<http://www.itcportal.com/titc/ChairmanSpeakContent.aspx?id=1497&type=B&news=Chairman-2014>