



Corporate Social Responsibility approach of Dr. Reddy's Labs: An analysis

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ABSTRACT

Globalization brought MNCs and consumers close to each other. MNCs focused on long term returns instead of short term profits. They wish to maintain a good and fair relation with the people in the society. Apart from the activities of sales promotion, they concentrated on developmental activities to uplift the standards of children, women, aged and rural youth and to promote environmental balance. For this purpose they have been allotting certain percent from their profits. Governments of concerned countries are also encouraging these types of activities by giving required amenities to such companies. Often it is argued that in order to maintain the long term relation with the consumers MNCs concentrated on social issues and included welfare activities for the society through a non-profitable organization. Keeping this in view 'CSR strategies of Dr. Reddy's Foundation (DRF)' have been chosen for the study as they represent distinct categories among the Indian private companies.

KEYWORDS

Corporate Social Responsibility (CSR), Corporate Philanthropy, Creating Shared Value (CSV), Livelihood, Skill development.

Introduction

The term Corporate Social Responsibility (CSR) became a part of the main activities of a large number of companies. It is now regarded as an important activity for business throughout the globe. Basically CSR means that a company's business model should be;

- **Socially responsible** – means the company's activities should benefit the society.
- **Environmentally suitable** – means that the activities of the company should not harm the environment.

It can be said that CSR is a form of Corporate Self-regulation integrated into a business model. It functions as a built-in self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. It is a process with the aim to embrace responsibility for the company's action and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

Though there is difference of opinion among critics, many argue that corporate companies make more long term profits by operating with CSR perspective. It is titled to aid an organisation's mission as well as a guide to what the company stands for and will uphold to its consumers. Moreover, business enterprises are not looking at short run financial returns when developing their CSR strategies, because in crowded imperfect market situations, companies strive for a 'Unique Selling Proposition' that can separate them from the competition in the minds of consumer loyalty on distinctive ethical values.

In spite of number of criticisms, many companies are committed to implement CSR strategies. The rise in popularity of ethical consumerism over the last two decades is linked to the rise of CSR. In the backdrop of globalization and growing competition companies use CSR methodologies as strategic tactics to gain public support for their survival in global market.

Need and importance of CSR approach

The term 'Corporate Social Responsibility' came into common use in the late 1960s and early 1970s after many MNCs

formed the term stake holder, meaning those on whom an organisation's activities have an impact. It was used to describe corporate owner beyond stakeholders as a result of an influential hook by R. Edward Freeman 'Strategic Management' a Stake holder approach in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of business. Others argue that CSR is merely window-dressing or an attempt to pre-empt the role of governments as a watchdog over powerful multi-national corporations.

But a more common approach to CSR is Corporate Philanthropy. For the society to thrive, profitable and competitive business must be developed and supported to create income, wealth, tax revenues and opportunities for philanthropy. The CSR approach received global attention in the Harvard Business Review Article- Strategy and Society. The link between competitive advantage and CSR by Michel E. Porter, a leading authority on competitive strategy and head of the institute for strategy and competitiveness at Harvard Business School; and Mark R. Kramer, senior fellow at the Kennedy School at Harvard university and Co-founder of FSG Social Impact Advisor. The article provides insights and relevant examples of companies that have developed deep linkages between their business strategies and corporate social responsibility.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy.

With regard to approaches to CSR, the discussions are heterogeneous.

1. The most common approach to CSR is 'Corporate Philanthropy'. This includes monetary donations and aid given to the local and non-local, non-profit organisations and communities, including donations in areas such as the arts, education, housing, health, social welfare and the environment.
2. Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization.
3. The third approach is garnering increasing corporate re-

sponsibility interest. This is called 'Creating Shared Value (CSV)'. This is based on the idea that corporate success and social welfare are inter-dependent.

With this backdrop the present paper focuses on the CSR initiatives of Dr. Reddy's Foundation in the field of education, health and clean drinking water.

Objectives of the Study

1. To study and understand the CSR initiatives being taken by Dr. Reddy's Foundation.
2. To examine the corporate approach of Dr. Reddy's Foundation and mode of action for implementation of CSR initiatives.

Methodology

The study was based on the data collected from secondary sources such as reports of Dr. Reddy's Laboratories, DRF, internet, etc.

CSR of Dr. Reddy's Lab through Dr. Reddy's Foundation

Dr. Reddy's Laboratories was the first active pharmaceutical ingredient (API) company established in May, 1984 with construction of the first plant at Bollaram, Hyderabad. Today it is the largest Indian pharmaceutical company and one of the fastest growing generic pharmaceutical companies in Russia. It is the first company to start drug discovery programs in India through The Dr. Reddy's Research Foundation (DRF). DRF was recognized as a scientific and industrial research organization by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India. It is aimed at providing innovative new medicines for healthier lives, at a price of the common man. Dr. Reddy also founded the Hyderabad-based Institute of Life Sciences, with public-private partnership with the Government of Andhra Pradesh.

Dr. Reddy's Foundation (DRF) is a non-profit organization established by Dr. Reddy's Laboratories in 1996. DRF focuses on sustainable development in individual, group and organization levels through Urban Livelihoods, Rural Livelihoods, Education with particular focus on economically disadvantaged youth. The two-fold objective of DRF is (1) helping improve livelihoods through programs increasing employability and aiding income generation and (2) providing opportunities for learning to those who have never been to school or have dropped out. The Foundation also works to improve the quality of education in schools. Through its sustained efforts, it has helped to improve the lives of nearly 5 million underprivileged people in India to date, especially youth and children. It works with all concerned stakeholders in this field.

Channels of CSR

- To educational needs of the children who are not enrolled in schools and engaged as child labour, the company channels its wide network of social activities through Dr. Reddy's Foundation (DRF)
- To address health education needs and patient care activities through Dr. Reddy's Foundation for Health Education (DRFHE) and creates positive impact on communities through Corporate Social Responsibility (CSR) teams in each location.
- To address clean drinking water Naandi Foundation set up in 1998 as a public charitable trust. Operating in multiple states, it is now one of the biggest social enterprises in India, providing clean drinking water and mid-day meals to children, promoting child rights and creating livelihoods. To safeguard motherhood and newborn care, NICE Foundation was setup which is dedicated to improving maternal health and combating infant and child mortality.

Coordinating agencies

- State Governments of respective States
- Aga Khan Foundation

Activities of CSR

The main activities of Dr. Reddy's Foundation include;

- Short term skill development training programmes Live-likelihood Advanced Business School (LABS) for youth and Livelihood Advanced Business School (LABS-PwD) for People with Disability in the age group of 18-30 to ensure placements. They prepare youth for careers in emerging service sectors such as Hospitality, Customer Relations and Sales/ Retail Sales, BPO voice and non-voice and other market-driven service domains. These programmes touches the issues like employability, Income Generating activities, subsequent improvement in quality of life. Over 2,90,000 youth have been trained to date under the LABS program, with an average placement rate of 70%. Operational in over 75 centers across India, this one-of-its kind business school tells the collective success story of tens of thousands of economically disadvantaged youth, and of their journey to self-respect and financial independence. 2,94,444 livelihoods are created by 31st March 2014.
- The foundation is providing clean drinking water and mid-day meals to children in schools. It also promotes child rights and creating livelihoods. It also dedicated to safeguard motherhood and newborn care, to improve maternal health and combating infant and child mortality.
- Agricultural programme Livelihood Advancement Business School for farmers (LABSF) -launched in 2010, to provide small farmers with knowledge on the latest advancement in technologies and techniques in the area of crop production. This helps the farmers to overcome the challenges of low agricultural productivity and enhances the incomes. In addition in the rural economy the local skills are identified and linked to local jobs thus reducing pressure on dependency on fragmented smallholding lands. 5916 farmers are impacted by 28th February 2014.
- DRF in association with Aga Khan Foundation initiated 'SCOPE (School Community Partnershi in Education)' in 1999 under the programme for Enrichment of School Level Education. Those who completed will be mainstreamed.
- DRF promoted Education Resource Centre (ERC) to develop supporting materials for the children in gaining curricular training and to make the children comfort to shift to an english medium schools through language transition course material.
- RBCs (Residential Bridge Centres) set up in 2008-09 in Ranga Reddy district in collaboration with SSA and NCLP. The children between the age group of 9-14 years from DRFs transit schools were mobilized into these RBC schools to impart mathematics, english, telugu along with extra curricular activities. With the successful training, the children from these centres were mainstreamed by through Social welfare, Tribal welfare, B.C. welfare regular schools and hostels, KGBVs.
- DRF drew MoU with EGMM (which is implementing agency of SERP) of the Department of Rural Development, Government of AP to run IKP LABS programme in the state. In 2008 12,586 members were trained and 10,753 were found placements.
- Similarly IKP-Urban (UPADHI) Labs were set up through the MoU with Mission of Elimination of Poverty in Municipal areas (MEPMA), Government of Andhra Pradesh and imparted skill training for livelihoods under UPADHI (Urban Programme for Advancement of Household Income). 6,246 were trained and 5452 were placed during the year.

Observations/Findings of the study

The study shows that all surveyed companies present themselves as having CSR policies and practices. It reflects their CSR philosophy or social environmental and ethical objectives in mission statements.

The study reveals that Dr. Reddy's Foundation implement CSR programmes with respect to rural development and urban youth, education and income generation through the following institutions which are given below;

- a. CSR activities implemented directly by the company through its own CSR division, HR Department, local management of manufacturing unit.

- b. CSR activities implemented by establishing a separate foundation.
- c. CSR activities implemented through partnership with NGOs, academic institutions, international agencies.
- d. CSR activities implemented through partnership with Government.
- e. The activities resolve around sustainable livelihood through skill development/advancement.
- f. The activities are promoting equity among different communities through education and skill training programmes.
- g. The skill development programmes especially for women and rural youth include fashion designing, preparation of agriculture based products like pickle making and fruit products, electrical winding, cell phone repair, screen printing, printing and dying, etc. Dr. Reddy's Foundation implements SHE policy i.e., Safety, Health and Environment.
- h. The activities are promoting the quality agriculture productivity and status of farmers.

Conclusion:

The rise in population of ethical consumerism over the last two decades can be linked to the rise of Corporate Social Responsibility. Global population increases so does the pressure as on limited natural resources to meet rising consumer demand (Grace and Cohen, 2005, 147). Since industrialization, in many developing countries is booming as a result of both technology and globalization, consumers are more aware of the environment and social implication of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environment and ethical concern.

In this connection the corporate companies are more concerned about their stakeholders' interests, as well as their own interest. Therefore, Dr. Reddy's Foundation was established with this objectives and successfully attending to the socio-economic, welfare, and environmental aspects of the society as its responsibility. The action taken by Dr. Reddy's Foundation in this direction is high appreciable.

REFERENCES

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