

**A CASE STUDY ON CORPORATE SOCIAL  
RESPONSIBILITY AND ANALYSIS OF COCA-  
COLA'S POLICIES AND OPERATIONS IN INDIA**

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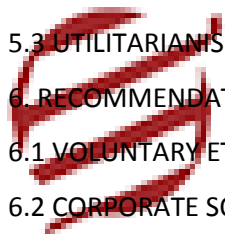
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## 1. INTRODUCTION

Corporate social responsibility is a multi-dimensional concept that encompasses all of a company's economic, legal, ethical and philanthropic responsibilities (Carroll, 1989, pp 30-33). CSR policies and their adherence determine the ethics and values of a company, and go hand-in-hand with its sustainability, thereby becoming an unavoidable part of a company's core philosophy. They are aimed at ensuring better social, economic and environmental atmosphere resulting in retaining customers, avoiding overall business risks, support from community and local bodies and ultimately earning higher profits for the business with an enhanced brand image. Though these are the benefits, the main aim of CSR should be - societal welfare through creating a moral and ethical value system which benefits everyone.

In this report, I will be analysing the case of Coca-Cola in India with regards to the Corporate Social Responsibility policies adopted. For the same, I will start by throwing light on relevant literature of Corporate Social Responsibility. Drawing on the research, I will discuss on the implications of Coca-Cola's business operations in the Indian sub-continent and further reflect on the resulting issues of Environmental pollution and negative effects on the social health and general well-being. This will be followed by a critical analysis with reference to the principles and theories of CSR, ie the Pyramid of CSR, the Theory of Social Responsibility and Utilitarianism. Based on this analysis, I will make recommendations to improve on Coca-Cola India's CSR policies and overcome its sustainability issues in India.

## 2. LITERATURE REVIEW

Corporate Social Responsibility refers to the voluntary inclusion of communal and ecological welfare in a company's operations, corporate decisions and its involvement with the stakeholders (Babalola, 2012). The long-term sustenance of a business and its ability to perform financially well has been proved based on research to be largely dependent on the kind of CSR policies implemented (Margolis and Walsh, 2003). The need for CSR emerged on a wide spectrum with the advent of globalisation and the reducing involvement of Governments in the core areas of a society's functioning (Kercher, K., 2007). The motivation for developing CSR policies can be dependent on an ethical argument, a logical framework or on economic benefits for a business house and in most cases a combination of all of these (Kotler & Lee, 2005). As per Archie Carroll (1991) and his Pyramid of CSR, the economic

and legal responsibilities were the mandatory ones whereas ethical and philanthropic were discretionary. But in today's society, they have become equally important for a business to succeed amidst growing consumer rights and competitive markets (Werther & Chandler, 2006). CSR has grown to be a corporate identity and shows the culture, values, personality and principles of the organisation, on the basis of which it is evaluated (Paine, 1994).

Accountability for CSR activities is one grey area of business given the fact that though it is mandatory for a corporation to declare and follow Social responsibilities, there are no rules and regulations that it needs to compulsorily abide by; therefore making it necessary to have stringent assessment due to the various factors that affect dissemination of good CSR practices (Garvy & Newell, 2005). The factors that influence the effectiveness of corporate accountability include false promises to stakeholders, different communal backgrounds of corporate operations and the difference in intention and actual ethical behaviour of the business leaders and management (Frynas 2005). An organisational CSR framework with ethical leadership that can lead a company towards sustainable social success will involve transparency, reliability, compassion and integrity (Waldman, Siegel, & Javidan, 2006). Lack of corporate governance and voluntary undertaking of CSR has become a huge challenge when organisations involve in illegitimate activities detrimental to the social and environmental welfare (Palazzo and Scherer 2006). The Global Reporting Initiative summoned in 1997 proposed to develop globally acceptable Corporate Social Responsibility and Sustainability reporting guidelines. Even though many companies worldwide are part of this initiative, the failure to implement a system of legal accountability on CSR has been a boon to many organisations for misuse of corporate resources (Soheli Ghose, 2012).

### 3. COCA-COLA

#### 3.1 BACKGROUND

Coca-cola is the world's largest beverage company founded in the year 1886 at Atlanta, USA. Today it has operations in every single country in the globe with over 500 brands for production and distribution in the consumer markets. The company has been catering to the Indian market customers since 1956 and since its re-entry in 1993, the sales volumes and profits has been on the rise year after year until 2013 since when the graph shows slow decline. Coca-cola rules the soft drinks market in India through the wholly

owned subsidiary company Coca-Cola India Pvt. Ltd (Jonathan Hills and Richard Welford, 2005). The company has been subject to continuous criticism globally including its major Asian market India and the Corporate Social Responsibility of this global giant is subject to continuous scan by the Government, social groups and consumers (Burnett, M., & Welford, R., 2007) due to unethical value system reflected in business practises followed, health effects of the product, employee issues and environmental issues of water, air and land pollution resulting from its plant operations.

### 3.2 CORPORATE SOCIAL RESPONSIBILITY POLICIES

Coca-Cola has formulated a set of Corporate Social Responsibility and Sustainability policies and confirmed to be following the same in its operations in the India market as per the rules issued by the Ministry of Corporate Affairs, Government of India under Section 135 of the Companies Act, 2013. The company has undertaken to positively impact the social, economic and environmental progress in India with focus on three major areas: Water, Agriculture and Recycling. Its CSR objectives cover a wide range of activities and programmes that can ensure sustainable development in the market. As mentioned in Coca-cola India's website in its Sustainability section, following are the purpose of its Corporate Social Responsibility projects:

- ❖ Assisting the Government in wiping out poverty, sourcing safe drinking water and promoting sanitation and preventive health-care.
- ❖ Promoting employment and education to create better livelihood.
- ❖ Empowering women and establishing facilities for senior citizens, armed forces veterans & dependents and the downtrodden community groups
- ❖ Ensuring and assisting in environmental protection and in maintaining ecological balance
- ❖ Providing aid to Government for socio-economic developments, technological advancements, rural and slum area development
- ❖ Promoting national heritage and rural sports

### 4. IMPLICATIONS

Though the CSR policies as mentioned above focus on the social, economic and environmental benefits of the society, the implications of the company's operations in the

country point to a different direction. The prime allegations against Coca-Cola India have been of acting detrimental to environmental safety and consumer health resulting in resentment and distrust in the minds of the general public, consumers and the Government (Henrik Berglund & Sofia Helander, 2015).

#### 4.1 ENVIRONMENTAL ISSUES

One of the major concerns that pointed out the unethical practices followed by the multi-national giant Coca-Cola in India has been the issue of depletion of groundwater resources near its bottling plants. In 2002, environmental activists and experts raised their voice against excessive extraction of water near its plant in Plachimada, Kerala which led to drought and thereby drastically reducing the agricultural production in the nearby places (Henrik Berglund & Sofia Helander, 2015). After this was confirmed by the country's Central Ground Water Board, there were widespread protests and strikes. Since India is majorly dependent on agriculture, the importance that was attached to this issue was huge. Another such issue is the pollution caused by dumping lethal waste and discharging hazardous components based waste water in to the agricultural farms near its bottling plants. The company's plants were also using lofty amounts of energy and the Green House Gases (GHS's) that were released as a result of the refrigerating and vending techniques used for production were creating high levels of air pollution. This led to pollution of land, water and air thereby creating long-term effects on the public. There was also an allegation of distribution of toxic waste as fertilisers to farmers near Coca-Cola's bottling plants (Vedwan, N, 2007).

Coca-Cola initiated water conservation projects like Rainwater harvesting and Watershed Protection throughout the country to address the issue and reverse the damage caused by groundwater depletion. Fertiliser distribution was stopped, Solid Waste Management system was implemented that helped in recycling any solid waste that was given out during production and eKOfreshment Coolers were installed to successfully get rid of hydro fluorocarbons that caused air pollution.

In spite of these, the issues have not been completely resolved. In a recent order from the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) in April 2015, following the public outrage and considering the water and pollution concerns, the plan for a

new bottling plant in Perundurai, Tamil Nadu has been cancelled. This shows lack of public and government trust in the company's objectives, philosophy and procedures.

## 4.2 ISSUES OF HEALTH AND SOCIAL WELL-BEING

Coca-Cola's products have been viewed very critically for the hazards they pose to consumer health. Centre for Science and Environment (CSE), an Indian NGO raised an allegation against the company in 2003 that there were traces of pesticide residue in the company's soft drinks and bottled water. Tests conducted on samples found that they contained pesticide residue surpassing 30-36 times the global standards that could cause deadly health concerns like cancer, birth defects, damage to the nervous and reproductive systems and severe disruption of the immune system (Iype, 2003).

This issue caused many retailers, schools, colleges and clubs banned the use of Coca-Cola's products causing a loss in sales and revenue during 2003. To resolve the issue, Coca-Cola India implemented a technique of "Carbon Filtration" in its manufacturing and bottling units to get rid of any solvents or pesticide traces off its products. The company claims that its Quality Systems are compliant with the requirements of the Food Safety and Standards Authority of India (FSSAI). But many private laboratories and groups are still coming up with reports stating the dangers of using Coca-Cola's products (Atlanta IMC, 2003).

After having provided an overview of the issues faced by Coca Cola India, we will further provide a theoretical analysis of these issues.

## 5. THEORETICAL ANALYSIS

The concepts and theories of CSR developed as a result of the recognition that a corporate cannot survive as an entity different from its civil society (Philip, K., & Lee, N., 2005). The major factors that gave rise to this phenomenon, that are also the benefits that an organisation can reap by adhering to ethical principles are shown through a diagrammatic representation below:



After having seen the factors that led to the growth of CSR, we will further analyse the case of Coca-Cola India's Corporate Social Responsibilities with the help of The Pyramid of CSR, the Theory of Social Responsibility and the Concept of Utilitarianism:

### 3.1 THE PYRAMID OF CSR



On analysing the case of Coca-Cola India, I can see that the company has been fulfilling the two basic responsibilities as mentioned in the Pyramid of CSR. Economic



responsibilities would be maximising profits for the shareholders, suppliers and distributors, paying taxes, contributing in economic growth of the country etc. The company has been seen to fulfil its legal responsibilities too by conducting lawfully in employing manpower, framing policies, transparency in reporting and abiding by the rules and regulations for a foreign company as per the Indian Companies Act. The legal liability of removal of pesticide residue from products, solving the issue of Green House Gases can also be seen to have tackled as soon as they arose. But the top most responsibilities in the pyramid of CSR which are ethical and philanthropic are seen to be completely neglected. Ethical responsibilities of Coca-Cola would include being environmental friendly and ensuring that the operations of the company do not create any detrimental impact to the customers or the society. Philanthropic responsibilities would mean the activities undertaken by the company that aim at caring, nourishing, developing, and enhancing human values and conditions. The act of depleting non-renewable resource like groundwater, soil and air, and continuing to do so along with undertaking to promote activities like ground-water harvesting cannot be seen as an ethical way of conducting business. Though Coca-cola has been conducting projects for the welfare of the society as is declared in the CSR policies, it can see that the basic way of bottling plant operations and the undisclosed, chemical ingredient list of its beverages can create catastrophic effects to the health and lives of the population in the country. This shows a hidden motive, a selfish and non-humanitarian outlook completely in contrast to ethical and philanthropic principles.

## 5.2 THE THEORY OF SOCIAL RESPONSIBILITY

The Social Responsibility theory proposed by Greenberg and Baron (2011) states that it is the responsibility of every business to take in to account the interests of all of its stakeholders – ie the consumers, employees, Government, suppliers, shareholders and the general public while making decisions so as to ensure value creation for each group. Ground-water, soil and air are non-renewable resource and the basis of human life. In a developing economy like India where agriculture is still the major contributor to the country's GDP, the effects of polluting the natural resources can prove to be extremely dangerous for the common man. According to the integrated strategy perspective of the theory of Social Responsibility, it is clearly seen that the activities of Coca-cola India are not in the interest of the customers or the general public and are not intended to improve the quality of life in an ethical and sustainable manner. The principles of corporate social responsibility are being

neglected at the ground-level by causing irreversible damage to the consumers and the society.

### 5.3 UTILITARIANISM

The theory of Utilitarianism defines an action to be ethically correct when it has the ability to yield the greatest benefit to the greatest number of people. This theory is based on the result of an action and assesses the morality of a business depending on its fairness and justice to the most number of people (Barney, J.B. & Griffin, R.W, 1992). This theory also speaks of increasing business profits without engaging in fraud or deception but has been critically reviewed for its narrow focus on creating stakeholder value alone. In the case of Coca-Cola India, its operations created damage to natural resources and polluted air, water and land along with detrimental effects on consumers who consumed the pesticide induced products. All the company's activities were carried out with the sole aim on maximising profits, till it was stalled by the legal system in the country and then Coca-cola India expertly crafted out CSR and sustainability policies to disengage from the bad reputation that may result in loss of high profits. The company responded to the allegations by publishing some supportive research reports and denying taking responsibility of the harm caused to people and nature. This can be viewed better under the light of a 'Green washing' marketing tool with a capitalist aim of sustaining business profits and for protecting the company's goodwill globally (Priyanka Mehra, Rajeshwari Sharma, 2008). This method of marketing, when seen under the light of utilitarianism, shows that the impact of Green-washing is beneficial only to the company, its shareholders and business partners; but completely disregards the negative impact it creates on customers, the environment and the general public.

### 6. RECOMMENDATIONS

Based on my literature review on Corporate Social Responsibility, discussion on implications of Coca-Cola India's operations and analysis of the same based on principles and theories of CSR, I will make the following recommendations- 1) To the company which it needs to adopt and improvise on so as to ensure its sustainability in the Indian market and 2) To the regulations and enforcement authorities.

## 6.1 VOLUNTARY ETHICAL APPROACH

As per the Theory of Kantianism, human dignity and respect of the rights of every human being is the means as well as the end. Kant's moral theory of deontological ethics states that morality is a matter of duty and it is not just dependent on the consequences but on the morality of doing what is right and not doing things that are wrong. This should form the basis of the moral principles of any business. First of all Coca-Cola needs to accept the severity of damages caused in India and address them by constructively planning for a ethical approach that does not intend to cure the disease after creating it but to prevent it from happening. Since there has been lot of damage to the ecology, environment, employees and people at three of Coca-Cola India's bottling plants -Mehdiganj, Kala Dera and Plachimada, as part of its social responsibility the company must close down these facilities to stop further destruction of the environment there. Coca-Cola India must make internal changes in products by inclining towards health-conscious and natural ingredient list to ensure that it morally supports the health and safety of the consumers. Changes should be made to the processes too and this should be followed by a practice of transparency in operations, reporting of waste disposal methods, accounting for utilization of water and quality control procedures that can ensure that the philosophy and moral inclination towards doing what is right as stated in the Kantian theory is heeded to.

## 6.2 CORPORATE SOCIAL RESPONSIBILITY REGULATIONS

In this era of globalization, the concept of Corporate Social Responsibility is seen as a critically conflicting idea because it is being used as a tool to promote and market corporate business houses and to influence the political and economic powers in the economy. In this scenario, it is highly crucial to devise international set of standards for the behaviour of companies. These legally binding rules and regulations to gauge the ethical and moral behaviour of companies will put a check on their activities (Campbell, 2007) and any unethical corporate will be obliged to abide by the laws so as to maintain its international reputation. With respect to this case, such a national or international legal policy system can hold Coca-Cola India responsible and ensure that it sticks to commitments on environmental safety, product safety and value addition, strives for water neutrality, reuse and replenishment (as per the global CSR policies of Coca-Cola).

## 7. CONCLUSION

Reflecting on my analysis and discussion on Coca-Cola operations in the Indian sub-continent, it can be seen that there are lot of allegations regarding the company's non-adherence to the basic principles of Corporate Social Responsibility. Following the same, though the company has been focusing on implementing initiatives for environmental safety and community development programmes like health care, employee safety, water conservation etc, Coca-Cola India has been put under continuous scan for righteousness in its business motives.

Thus, it can be concluded that the CSR practices adopted by Coca-cola India do not fulfil the philosophies of ethical and moral good. Based on my recommendations, monitoring and evaluation have become crucial thereby creating a need for a universal set of CSR standards to scan and scrutinize the 'socially responsible capitalism' (Richard E. Smith, 2011) of some organisations.



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