

SMEs & BUSINESS SOCIAL RESPONSIBILITY: THE NEW ERA OF BUSINESS

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Acronyms

ALEAP	The Association of Lady Entrepreneurs of India
ALETA	Aspired Lady Entrepreneurs of Telangana Association
BMO	Business Membership Organizations
BSE	Bombay Stock Exchange
BSR	Business Social responsibility
BVIC	Bala Vikasa International Centre
BYST	The Bharatiya Yuva Shakti Trust
CEO	Chief Executive Officer
CII	Confederation of Indian Industry
COWE	Confederation of Women Entrepreneurs
CSR	Corporate Social Responsibility
ECIL	Electronics Corporation of India Limited
FTAPCCI	The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry
GCNI	Global Compact Network India
GDP	Gross Domestic Product
GHG	Green House Gas
GOI	Government of India
GRI	Global Reporting Initiative
GTC	Golden Top Companies
IALA	Industrial Area Local Authority
IDPL	Indian Drugs and Pharmaceuticals Limited
ITC	International Trade Center
JIT	Just In Time
KANBAN	Japanese word, meaning signal or visible card
LM	Lean Manufacturing
MD	Managing Director
MUDRA	Micro Units Development and Refinance Agency Bank Ltd
MSEs	Micro and Small Enterprises
MSMEs	Micro Small and Medium Enterprises
NSE	National Stock Exchange
NSIC	National Small Industries Corporation
PSU	Public Sector Undertaking
PWC	Price Waterhouse Coopers
RBP	Responsible Business Practices
REAP	Responsible Entrepreneurs Achievement Programme
RoHS	Restriction of use of Hazardous Substances
SE	Social Entrepreneurship
SIDBI	Small Industries Development Bank of India
SME	Small and Medium Enterprises
SMED	Single Minutes Exchange of Dies
SMERA	SME Rating Agency of India
SOP	Standard Operating Procedure
SOPAR	Société de partage/Society for Partnership
SRI	Socially Responsible Investors/Investments
TBL	Triple Bottom Line
UN	United Nations
UNIDO	United Nations Industrial Development Organisation
WTO	World Trade Organization



Executive Summary

Small and Medium Enterprises (SMEs) have been contributing significantly to the nation's economic growth. They are the backbone of the economy. SMEs contribute about 38% to the nation's GDP. Accordingly SMEs have a key role to play in bridging the social divide, while building a progressive nation. It then becomes imperative to integrate Business Social Responsibility (BSR) in SMEs...the unveiling of a new era of business with a purpose. Business Social Responsibility is a way to describe something SMEs already do: investing in broader social values whose benefits go beyond profit and about building on existing good practices, maximizing the impact and raising awareness among key stakeholders in a way that will help enterprises become more competitive.

To initiate BSR, size of the enterprise is not so relevant. BSR has been associated with large corporates as they think and act big, are keen to build their reputations and create brand image not just with their key stakeholders, but with the broader public as well. Corporates are well resourced and well positioned to invest in BSR and hence do so realising its importance. However, BSR is equally important for the small and medium enterprises (SMEs). Size does matter, but not so much in whether an SME should engage in BSR, but in relation to why and how?

Combination of primary and secondary research findings have led us to infer that BSR as merely a social obligation will not work in the SME environment. There are relevant examples of SMEs that have turned around after integrating BSR as a part of their DNA. What could work for the SME environment is integrating BSR into the enterprises to create shared value, which in turn ensures competitive advantage and leads to inclusive growth.

With this background, this report enlists the opportunities and challenges associated with BSR in small and medium enterprises. It clearly emerges that though the challenges the SMEs face in terms of immediate concerns are of business survival, lack of resources and skills to design and implement BSR initiatives, the low awareness levels and underlying concerns with regard to BSR are real reasons for not figuring it as an agenda. In fact BSR does not aim to 'reinvent the wheel', however, harnessing the opportunities that could support BSR in SMEs is a sure

way of looking ahead. This report makes an effort through some business cases from the Indian and European SME sectors, to give an understanding of how small businesses have turned around after integrating BSR in their DNA.

BVIC in particular emphasises on promoting Responsible Business Practices among women and youth entrepreneurs. The engagement of BSR in women & youth managed enterprises creates an inclusive platform for moving in right direction and also, for rapid deployment of these practices. As India is moving at a fast pace in incubating and churning out large number of start-ups, mostly falling under SME category, the relevance of BSR concept best resonates with youth enterprises and women enterprises, as the former is predominantly India's change makers and greater involvement of the latter for inclusive growth is the need of the hour.

Business Social Responsibility (BSR) for SMEs is unique and does not fall under the ambit of any particular sector or theme. BSR attempts to tap huge SME potential, by nurturing and facilitating SME capabilities, through cluster approach, in making SME businesses more responsible, ethical and positive. This series is trying to address very distinctive mention of SMEs in India and more specifically to Hyderabad. This initiative is an effort towards building conjunction of business and community, a step towards a just and equal society..... *'In our effort towards building an Inclusive Tomorrow'*.

CHAPTER

1

BSR in the SME Context

'It is no longer a question of whether SMEs should invest in sustainability, but how to ensure it is embedded within their strategy to spur competitiveness. Sustainability can be a cost-advantage to SMEs if it focuses on the organizational capabilities and emulates the core competencies of the firm. SMEs are inherently more flexible and adaptive than their larger counterparts, and their size enables to operationalize sustainability with no radical or costly transformation. This can include new operating models, available technology and new managerial practices that increases the productivity and performance of the firm.'

TATJANA DE KETTOS, ADVISOR, SME & ENTREPRENEURSHIP POLICY

1.1 Introduction

Business Social Responsibility (BSR)/ Triple Bottom Line (TBL)/Responsible Business Practices (RBP), as concepts seem to resonate mostly with large corporations. However, this scenario is likely to witness a major change going forward, by the growth trend observed in SME sector in India. Small and medium enterprises form an integral part of the Indian economy. Today, SMEs account for about 40% of India's exports and 45% of India's manufacturing output, and contribute about 38 % (both service and manufacturing) to India's GDP. More than 100 SMEs are listed on a separate platform on BSE and the NSE, with a market capitalization of more than 10,000 crore INR. Many private limited SMEs make profits of more than 5 crore INR annually, one of the limits stipulated by the Companies Act (2013) for mandatory CSR spending. Quite a few SMEs that are in the export business face international pressure to conduct their business keeping Business Social Responsibility in mind; otherwise they risk the threat of import bans.

1.2 Why SMEs? – The BSR Context: Global & India

1.2.1 Global Context

SMEs are considered as necessary partners in BSR for global sustainability. A UN Convention for Corporate Social Responsibility and Accountability, proposed as an outcome of the RIO + 20 Summit, approaches the question of sustainability through CSR (Corporate Social Responsibility) implementation by focusing on actions and accountability of large and trans-national corporations. But the small and medium sized businesses, which collectively employ millions of workers worldwide (estimated at 90% of the global workforce) and account for approximately 65% of global GDP, need to be involved in order to ensure that the impact of CSR is felt in communities around the world.

World over, the SME sector faces two major challenges in the immediate future, one is to survive in an increasingly demanding economy and the other, to contribute towards sustainable development in the region where they are the main actors of economic growth.

It is not easy for SMEs to engage in Responsible Business Practices, particularly when they are obsessed with their core business and ultimate survival. Yet, small businesses don't have to imitate the CSR activities of large corporations. They can adapt the practices after considering the availability of resources, their strategic priorities and local community issues.

Small and Medium sized Enterprises (SMEs) that invest in Corporate Social Responsibility can expect financial rewards as well as enhanced reputations, according to a new study of small businesses in Malaysia. Social responsibility has also been regarded as a crucial factor in boosting a firm's long-term competitiveness.

This finding is consistent with earlier studies in the context of Australia, which demonstrated a positive link between Responsible Business Practices and financial performance of SMEs. The improved performance could be attributed to their market orientation in meeting stakeholders' requirements for their products and services. This allows them to excel in their social and environmental performance.

WHAT MAKES AN SME DIFFERENT

An SME is:

- Managed in part or in whole by its owner(s)
- Independent, rather than a subsidiary or franchise
- Informal, without bureaucratic procedures and structures
- Dealing with day-to-day cash flow challenges and responding to short-term problems
- Characterised by multi-tasking and flexibility
- Characterised by the importance of personal relationships

Source: Network for Business Sustainability (2012).

They can take a variety of steps such as conservation of natural resources, protection of environment, steps encompassing eradication of illiteracy, poverty alleviation, empowering women and youth, health care in rural areas etc., However, these benefits may not be significant for every company. In the case of SMEs in developing countries, upgrading the quality of their technology, management and marketing are likely to be equally pressing concerns, which need to be addressed in parallel with social and environmental impacts. Given the concerns of social and environmental issues gaining prominence, a framework evolved to address these two additional concerns, along with key business concerns of financial sustainability, called Triple Bottom Line, can be considered in SMEs context.

Triple bottom line (TBL/3BL) essentially is an accounting framework with social, environmental and financial components to evaluate an organization's performance in a broader perspective to create greater business value. The purpose of TBL approach is to integrate social and environmental components into main stream financial accounting, by adding two more "bottom lines": social and environmental concerns.

While clear understanding of TBL is gradually evolving, on the other hand, Small and Medium Enterprises often face stiff competition from large corporations when it comes to bagging fresh orders or retaining their existing clients. Global competition is pushing companies to go beyond their boundaries in search of solutions to their business problems. Thus, large firms nowadays outsource certain activities that can be more efficiently carried out by other firms. SMEs are potential solution providers to large firms. It is generally perceived that improving the competitiveness of SMEs would improve the competitiveness of large firms. As a result, a growing number of small and medium sized companies are laying emphasis on their social responsibility activities.

In some areas of BSR, SMEs are better positioned than larger corporations to implement BSR initiatives due to their existing close ties with their communities. Many heads of SMEs, especially entrepreneurial founder/owners, already have much of the "BSR spirit" – the instinctive understanding of the importance of responsibility and reciprocity in their business dealings - and have the capacity to join the BSR movement, when they become aware of its goals and methods applied to them.

BSR is gaining a strong foothold in this sector and is helping SMEs progress from “being good enough” to “could do better”. Many SME owners are unaware of the benefits of incorporating BSR practices within their core operations. Instead, BSR is often regarded as a distraction from mainstream business activities and just another financial and time-consuming burden. It is often viewed as ‘doing the right thing’, but not ‘doing the best thing for business’.

However, if implemented correctly, BSR will result in increased competitiveness, reputation and improved stakeholder engagement, leading to better financial returns. Cluster based development of MSMEs, makes it possible to achieve the same through a least cost strategy. Clustering has been proven successful globally, and in other Asian countries such as China and Taiwan.

An interesting research on Sustainability Reporting Policies Worldwide reveals increase in voluntary reporting by SMEs. ***Although SMEs are usually exempt from regulation, there has been a notable increase in the voluntary uptake of reporting by them. Sustainability reporting is perceived to enhance SMEs position in the market. For instance, allowing access to multinationals’ supply chains, as some multinationals request suppliers to report on their sustainability performance.***

1.2.2 Indian Context

In India, MSME sector consists of over 46 million units situated throughout the geographical expanse of the country, providing employment to over 100 million people, with contribution of about 38% to the nation’s GDP. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

It shall be observed, throughout the report, that there are several references to CSR and related practices of large corporates and SMEs. The secondary research captures data especially related to SMEs on CSR practices. Nevertheless, in relevance to this report and the context of SMEs, the more inclusive BSR approach is considered appropriate and relevant. The same has been defined and detailed in sub-sequent chapters of this report. CSR is a component of BSR, which has a wider purview.

SMEs act as nurseries for entrepreneurship and provide a natural ecosystem for burgeoning enterprises that will grow large in future. Therefore, from all the three perspectives of TBL, SMEs also have to inculcate social enterprise initiatives, irrespective of whether or not they are covered by the mandatory norms. *For external community engagement initiatives, SMEs can pool resources among themselves or engage through philanthropic organizations such as the Rotary Club and the Lions Club. They can also tie up with foundations of other large companies, and coordinate efforts among SMEs through industry associations, such as, the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry.*

SMEs in India have problems such as sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario.

On the other hand, SMEs commitment to BSR is much easier to integrate because there is close involvement of owners and founders in SME operations. SMEs are often connected with the local communities in terms of providing employment and they may also rely on business relationships with customers and suppliers and others based in the local community. As a result, there is immense potential for SMEs to gain when aligned to BSR.

CHAPTER

2

BSR for SMEs – Creating shared value

The current policy frameworks and initiatives significantly encourage entrepreneurial culture among Indian youth. The focus is also on development of more youth and women led enterprises to ensure inclusive growth. The profound change noted in entrepreneurial eco-system and start-up environment in India, is a sign of moving in right direction to ensure gender equality, youth and women empowerment in new generation enterprises. As majority of the start-up enterprises are SMEs, focusing on upliftment of these enterprises ensures sustainable national growth and development.

2.1 Analysing the SMEs Understanding, Awareness and Outlook of BSR Concept

In the context of the challenges SMEs face, mostly the emphasis by external supporting agencies is around becoming a profitable enterprise. It is about competitiveness, disruptive innovation, increased growth, technology orientation and becoming financially sound and attractive. Therefore, integrating BSR and being a profitable and competitive enterprise is a compelling strategy.

A few organisations emphasise environmental management, energy efficiency and workplace management. For example: SMERA is a credit rating initiative, which has a green rating service as well. Likewise, UNIDO's REAP also defined it on the lines of Responsible Entrepreneurship. Some of these examples are encouraging, as they highlight how BSR is becoming important in the SME ecosystem. In these examples, we can also see that BSR is not looked at as community development and social responsibility alone, but as all-encompassing of more inclusive features such as environment, energy, employee safety and good governance.

Below are some of the forums and associations that specifically work with SMEs and offer various services, recognition to SMEs and also support SMEs in crucial areas.

- **India SME forum:** The India SME Forum is India's only non-profit, non-political, non-governmental & non trade association initiative for Small and Medium Entrepreneurs. With over 76,000 members and over 5,00,000 registered SMEs, India SME forum is today India's largest SME Initiative.

India SME forum also has an annual award for the top 100 SMEs. The awards select 100 top SMEs on the basis of their growth, financial factors as well as non-financial factors in a unique evaluation format, created specifically to score and rate SMEs on a single scale. The non-financial factors include governance. ***There is a 5% weightage to governance and 25% of this is towards CSR. Though the weightage associated with CSR is less, it is a named element in the award selection criteria. This is an encouraging sign.***

A study of few of the winners of 2016 shows that the recognised companies

have quality policy and environment & safety policy (for manufacturing industries) in place. One of the few that we studied has CSR listed on its website. The narrative on the website talks about the company's investment and range of community work. Another company has mentioned about being socially responsible in its mission statement.

- **The National Competitiveness Manufacturing Program of the Ministry of Micro, Small & Medium Enterprises** enhances the manufacturing competitiveness of MSMEs through the application of various Lean Manufacturing (LM) techniques like 5S System, Visual Control, Standard Operating Procedures (SOPs), Just in Time (JIT), KANBAN System, Cellular Layout, Value Stream Mapping, Poka Yoke, Single Minutes Exchange of Dies (SMED), Total Productive Maintenance, Kaizen Blitz by; reducing waste; increasing productivity; introducing innovative practices for improving overall competitiveness; inculcating good management systems in manufacturing and imbibing a culture of continuous improvement. This is a program that brings good management systems within SMEs. ***The possibility of including elements such as people skill development, employee safety and stakeholder engagement to drive Lean Manufacturing, can integrate BSR agenda with manufacturing excellence. LM with focus on these lines can position BSR appropriately in the SME sector.***
- **UNIDO REAP program:** The Responsible Entrepreneurs Achievement Programme (REAP) is a CSR-based management and reporting tool, developed by UNIDO to assist Small and Medium Enterprises (SMEs) in their efforts to implement CSR-based management approaches and operation methods, thereby aligning economic, social and environmental aspects of business (with triple bottom-line approach). Many companies still relate the concept of CSR to large-scale philanthropic investments or donations. While these make a valuable contribution to the wellbeing of communities and alleviating poverty, it is obvious that those activities are far beyond reach for many smaller companies that are frequently faced with financial or human resource constraints. As a consequence, small and medium enterprises (SMEs) often take up a rather sceptical position when it comes to CSR. Therefore, it is important to show that the CSR concept equally works for smaller firms and that it can constitute an excellent business case. UNIDO is offering CSR implementation assistance with the banner of Responsible entrepreneurship. Through this mechanism,

UNIDO wants to make CSR operational in SMEs. REAP consultants work with issues of human rights, labour standards, environment management and anti-corruption. ***REAP is a promising way of integrating BSR in SMEs.***

- **CII's Golden Top Companies (GTC) 100:** The Golden Top Companies (GTC 100) is a national flagship programme of CII for the small and medium enterprises in India. Under this programme, CII has created a structured approach to facilitate the growth of small companies aspiring to become medium size and medium size companies aspiring to become large. The Companies selected in this programme would move in a more holistic way to improve their leadership, manufacturing operations, support functions, performance and business results through structured roadmaps. ***The holistic approach taken to make SMEs competitive has elements such as waste reduction, energy conservation & employee safety, which are components of business responsibility practices/BSR.***
- **The Global Compact Network India (GCNI)** was formed by UN Global Compact participant companies and other organizations in November 2003. Functioning within a globally recognized and established initiative, with a pan-India membership base, GCNI provides a vehicle for Indian companies—large, small or medium-sized—academic institutions and civil society organizations to work together to strengthen responsible business initiatives. A quick study of UN Global Compact's India website shows that there are 47 SME members. These numbers are very less compared to the millions of SMEs in the country. ***It appears that SMEs are yet to see the business case of instilling UN Global Compact principles within their organisations.***
- **SIDBI:** smallB is SIDBI's attempt to inspire all individuals to look at the business opportunities all around and to demystify and simplify the process of establishing a business in India. Under the section on MSMEs role in Enterprise Social Responsibility, it provides guidance on mandatory statutory regulatory compliances, voluntary standards and Major Global Standards & Certification Programs for Social & Ethical Compliance. ***The website offers variety of information on environmental regulations, clean production, energy efficiency and so on to new entrepreneurs. This is an encouraging sign.***

- **SME Rating Agency of India Ltd (SMERA)** is a joint initiative by Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Pvt Ltd and several leading banks in the country. SMERA is the country's first and only dedicated rating agency that primarily focuses on the Micro, Small and Medium Enterprises - (MSME) segment. SMERA's objective is to provide ratings that are comprehensive, transparent and reliable which could facilitate easier and adequate credit from the banking sector and other lenders/investors to the MSME sector. "Green Ratings" from SMERA is one such initiative to encourage Micro, Small & Medium enterprises (MSMEs) engaged in industrial activity to adopt better technologies and processes to prevent environmental damage. The SMERA-Green Rating is on a scale of 1-5, wherein "SMERA-Green Rating 1" is the top most rating denoting the unit's efficient usage of energy with minimal emission of GHG and adoption of processes to control air, water, and land pollution. "SMERA-Green Rating 5" indicates lowest grade on scale of 1-5 with the unit's inefficient usage of energy due to its existing processes and technology causing severe damage to the environment. ***Adopting the SMERA Green ratings for SMEs, provides a tool for self-assessment of sustainability risk, giving them a reliable evaluation of impact of their activities on environment and that of their sustainability measures.***
- **Foundation for MSME Clusters (FMC)** is a pioneer organisation, which specialised in promotion of MSMEs through cluster and value chain led development. Established as a trust in June 2005, FMC has experience of working directly and indirectly with over 100,000 MSMEs in around 200 clusters in over 15 other countries across the globe. FMC has its corporate office in Delhi and branch/representative offices in the states of Andhra Pradesh, Karnataka, Madhya Pradesh, Punjab, Rajasthan, Telangana, and West Bengal. ***The FMC offers support towards addressing social, economic, and environmental aspects of MSMEs. Interestingly, FMC awards BMO (Business Membership Organisations) that promote responsible entrepreneurship in their member organisations.***

In essence, various institutes and associations are promoting BSR among SMEs with diverse features and in different forms. Though not exclusively, conceptually all programs are progressing in the right direction towards promoting BSR for SME sector in India.

2.2 Business Social Responsibility– A Responsibility as Creating “Shared Value”



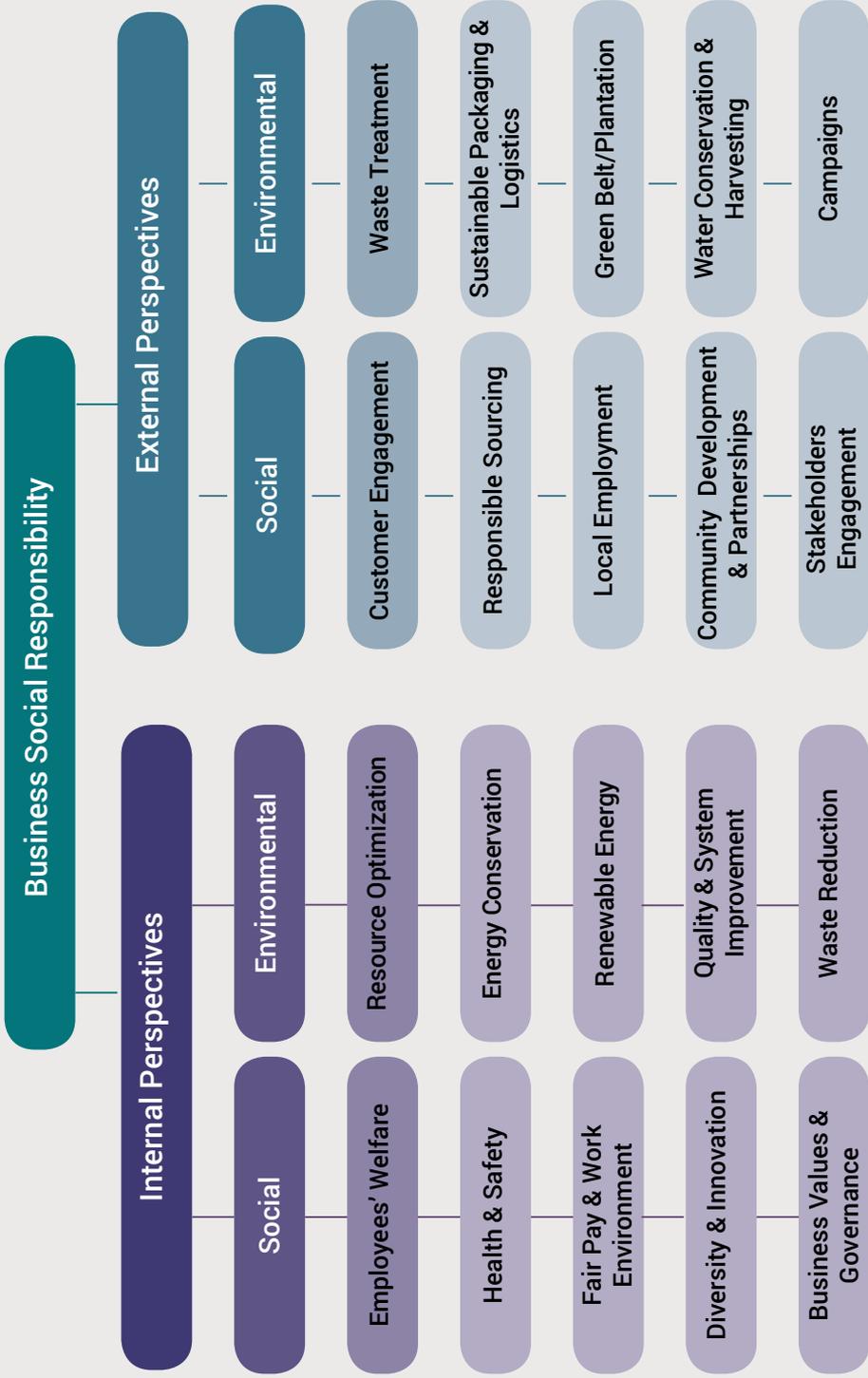
BSR as a practice may evolve over time and undergo transformation. However, for BVIC, BSR conceptually revolves around Triple Bottom-line Approach (TBL) and is clearly defined for all practical purposes.

Business Social Responsibility or BSR – is an integration of social and environmental responsibility of a business into their core practices and conduct, to ensure business sustainability and profitability.

BSR engages in more inclusive approach towards social and environmental responsibilities of a business from both internal and external perspectives, and this feature of BSR separates it from traditional CSR. Slightly different than traditional approach of profitability for sustainability, sustainability for profitability is the mantra for BSR practicing businesses. In other words, profitability alone should not override the social and environmental responsibilities of a business for its long term sustainability. Ensuring this fine balance leads to ‘Sustainable Profitability’.

It appears more relevant, as embedding BSR in SMEs shall provide added competitive advantage to the business as a whole, thereby leading to sustainability of the business.

The key components that are embedded in BVIC-BSR philosophy are presented below:



Business social responsibility appears to be a matter of choice for companies, unlike other business related matters which directly impact the bottom-line, such as process efficiency, product development, marketing and finance. BSR appears to be an indirect element and therefore requires conscious efforts by companies and by the government to make it direct and tangible. This will enable a more direct & tangible impact.

In simple terms, social responsibility encompasses people, community, environment (including energy) and how the enterprise engages with these elements/stakeholders. Why does this require a new business case? Isn't engaging people and communities a direct business need, as businesses rely on people (employees) to deliver results and on communities to support business activities through employment and supply chain activities? While the surrounding environment and community offer all the ingredients and possibilities of continuity to companies, put together, the debate on why BSR seems superfluous? Yet it exists.

In practical terms, the gap exists because of the primary & only focus of businesses on one 'P' - Profits and ignoring the other two 'P's; People & Planet. This being a standard understanding of how majority of businesses function around the globe, and there is a clear case for promoting concepts of Business Sustainability & BSR - to ensure balancing of 3Ps.

A matter to discuss and resolve in the context of BSR, is the definition of responsibility. Is responsibility delivered, if businesses ensure economic development? Economic development is important, but alone is not sufficient. BSR by itself is not a challenge, however, the way organisations define BSR is creating challenges. If it is seen as philanthropy, then it's a matter of resource availability and the keenness of the business sponsor to deliver philanthropic support. If it is seen as business agenda, then it requires strategy, clear performance measures and resource people to design, implement and monitor. If it is seen as compliance, then it requires strong governance to ensure that the minimum is delivered. If it is shared value, it requires engagement, dialogue, planning, performance measures and resource people.

2.3 BSR - A Means for Inclusive Growth



The Global Goals on Sustainable Development 2015 set a tall order to eradicate extreme poverty by 2030, expand opportunities for all, and protect our planet (aligning to TBL). The goals recognize the potential of SMEs to foster growth and inclusiveness. New research from International Trade Centre (ITC), the joint agency of the United Nations and the World Trade Organization, makes a compelling case for small and medium sized firms as the missing link to inclusive growth.

SME sector also plays an important role in offering equal entrepreneurial and employment opportunities to women and youth. The number of start-up enthusiasts from these two critical sections is steadily on the rise, which highlights the need for bridging the current eco-system gaps to accommodate and encourage them for all round development. The recent/future government or institutional programs (such as BVIC's) and policies need to address this gap and promote greater equilibrium.

BSR implementation in SMEs acts as an effective tool to enhance their competitiveness, in turn, ensures inclusive growth.

2.4 Competitive Advantage & Business Cases

Business Social Responsibility can be tapped as a strategic tool to enhance the competitiveness of SMEs.

Broadly, Responsible Business Practices help any businesses to succeed, build sales, develop the workforce, boost enthusiasm and innovation, enhance trust in an enterprise and increase company's reputation and standing. Businesses need to consider new issues and respond to them, in order to stay competitive and relevant.

Applying Responsible Business Practices can also create value, help firms in becoming more cost efficient, boost revenue, and open up a company to new ideas of how best to run its core activities.

In the current competitive world, supply chain is subservient to the retail chain, because the retail chain has to respond to consumers. This trend is on the rise at all levels - local, national and international- and concerns all businesses.

Increasingly, business responsibility is being seen as an important and integral part of normal business operations. If handled well, it can help a firm to operate more efficiently, more effectively and more competitively.

While referring to BSR's positive influences on businesses, it is equally important to consider business responsibility as a business case, for the spectrum of benefits an SME can reap in the following ways:

Customers

For SMEs or for any business, customer loyalty is extremely important. A company's reputation is fundamental in attracting new customers and an increased customer base expands company's reputation. Customer satisfaction & loyalty is earned in the following ways through BSR:

- Providing customers with the highest quality products and services, consistent with their requirements and expectations

- By treating customers fairly and ensuring that their health and safety is properly protected by being transparent in all the activities.
- Building a better relationship with customers through customer consultation, which helps in retaining customers and establishing a good reputation
- Evidence shows that if quality and price are equal, customers will choose products/services where business responsibility is evident over others.

Revenue benefits & Efficiency

Responsible Business Practices directly impact revenues and result in cost benefits, if undertaken in right direction and circumstances.

- Optimization of operation cycle and resources saves raw material and process inputs, which in turn adds to the bottom-line.
- Engaging in efficient operations in production as well as organisational process help achieve greater revenues.
- Eco-efficiency is an obvious way in which social responsibility and efficiency can be harmonised. The minimization of waste and recycling needs at first place reduces financial pressure of handling and treating them
- By minimizing the use of recurring and ever increasing (price) resources of business, the future risk of business uncertainty can be mitigated and better managed
- Efficient companies turn inputs into productive outputs in the most cost-effective way.
- Cost savings and increased profitability follows with more efficient use of human resources and production increase results in higher turnover/sales

Access to capital & Risk management

The scope of risks a company must manage is widening. Risk is no longer solely defined by financial factors, but extended to environmental and social risks. How this expanded portfolio of risks is controlled will become an increasingly important concern for companies when they try to attract capital and investors. Businesses have a responsibility to manage their assets effectively in order to provide investors

with a fair and competitive return and also, disclose relevant information. In the context of SMEs struggle to raise capital, the crucial factors to note are:

- Competitive companies can acquire and access equity and debt capital with most ease.
- Although, currently most lenders and investors do not have responsible business criteria, the growth in Socially Responsible Investments (SRI) is a clear indication of likely future trends.
- A company that addresses and integrates business responsibility from an early stage is likely to establish a competitive advantage over others & attracts investors
- Risk affects access to capital - the higher the risk attaching to a company, the more difficulty it has in accessing capital.
- If business practices are neither responsible nor sustainable, its reputation will be undermined and investors and lenders will perceive the company as increasingly risky.
- Responsible business, with integration of all risk elements a business is likely to face, effectively addresses the components with ease for practicing SMEs and hence, becomes choice of investments & funds

Innovation & Employees

The most successful companies are also the most innovative. Innovation is the key to maintaining a competitive edge. A company that regularly designs, improves and delivers new and improved products and services is the one most likely to thrive. On the other hand, retaining key talent, productivity, motivation & efficiency of employees is proportional in marching towards business success, with the following as key elements to practice:

- Increased motivation and loyalty of employees, increases their productivity and innovation.
- Every business has an interest in being an employer of choice – in a competitive and fluid job market, this can be a real advantage
- Paying staff fairly, providing a good and safe working environment, communicating openly and honestly, helps a company to prosper.

- If employees are satisfied, they are willing to make more effort for employers in terms of responsibility, innovation and commitment, enabling employees to develop in a way that enriches both the company's and the individual's knowledge base.
- Engaging with a wider circle of stakeholders - including NGOs, employees, the community, business partners and investors - can expose a company to new perspectives that boost innovation.
- Employing staff with diverse backgrounds can contribute to innovation and creativity, bringing fresh and original perspectives to a company.
- SMEs are well placed to innovate. They tend to have much more flexible structures, less chained down by bureaucracy and procedures than larger companies.
- By practicing BSR, SMEs can handle innovation and talent retention effectively

Branding & Competition

Branding is a multifaceted tool to keep competition at bay and be ahead of them. Branding is influenced by the awards/recognitions, culture, innovation, financial sustainability and various other factors. The following presents how to build and sustain branding for SMEs through responsible practices:

- Companies with good reputations have the power to boost business opportunities.
- Demonstrating genuine levels of transparency, ethical behaviour and stakeholder engagement, helps to build the trust and reputation, which in turn enables company to operate & prosper, while building their brand
- A positive workplace atmosphere is a crucial factor in employee productivity, which can be well addressed by positive company image
- Increasingly, Responsible Business Practices offer company a competitive edge and a comparative advantage over its rivals in real environment
- Best position in the labour market and better interface with other business partners and authorities ensure better company image.
- Only about a fifth of enterprises carry out responsible business activities in co-

operation with other firms. Partnering with like-minded companies, particularly through representative organisations, plays a key role in raising awareness and promoting good practices; while building brand & reputation

Supply chain

Good relations with suppliers are a key concern for most SMEs. The best relationships offer long term benefits to both parties. They should aim to foster stability in return for value, quality and reliability. The interesting fact is, SMEs hold their own supply chain and are at the same time, part of a larger supply chain of bigger companies. Supply chain influence, hence, is bi-directional for SMEs as stated here:

- Increasingly, larger companies choose to make responsibility a key deciding factor in suppliers they chose, preferring suppliers whose practices are in sync with their business responsibility. As a result, SMEs with a Triple Bottom Line approach to business, caring for the social and environmental as well as economic aspects, tend to benefit more.
- As larger companies are being held more and more responsible for the practices of their suppliers and sub-contractors, this trend is here to stay, with higher intensity going forward.
- In corporate perspective, this means avoiding SME suppliers with poor track record in their concerned Responsible Business Practices.
- SMEs can promote responsible business with their own suppliers/contractors and fellow SMEs to the extent practical, in addition to practicing on their own.
- SMEs play a key role in spreading and encouraging best practices, help and benefit even the bottom of pyramid micro enterprises.

Communities

It is no longer enough to argue that businesses contribute to society simply by creating jobs and wealth, viz, economic development. A business can only sustain its credibility if it has a clear 'licence to operate' from the local community. They can make or break your licence to operate. To break it down:

- SMEs are particularly well placed to benefit from strong relations with the community. They are usually a key part of the local community, often run by people who have a longstanding connection with the area
- Responsibility is not about redefining their existing activities, but, about realising benefits of these activities and making them a core part of business strategy.
- SMEs attentiveness to the needs of the local community enhances reputation, attracts new staff, customers and clients
- Businesses engaging with NGOs demonstrate an openness and willingness to listen to the opinion of the broader community within which they operate
- Co-operating with NGOs can also build trust between business and the community and enhance a company's standing with customers and investors, in addition to the benefit from the goodwill that NGOs enjoy.



To conclude;

SMEs have time, resource and delivery pressures that often prevent them from getting involved in BSR. However, BSR is not about revamping the entire system; but about building on what is already there, and establishing the link between 'responsible businesses' with 'core business activity'.

Responsible business is about managing the impact (positive and negative) of your business. Improved staff performance and morale translates into a better reputation for the company which, in turn, can positively influence customer preference.

Enterprises who foster better relations with employees, customers and the local community report that this boosts business performance in different important ways.

The broader community is becoming increasingly sensitive to these changed circumstances. It is looking for enterprises to take a triple bottom line approach to enhance their performance, become sensitive to the social, environmental as well as economic impact of their operations.

SMEs which recognise and adapt to the change will race ahead of the competition; for them sustaining business operations will become the least to focus on.

Collaboration among the SMEs provides an opportunity to manage social and environmental issues and respond better to the pressure from buyers, who are trying to establish ethical supply chains and gain appreciation from the international community. Collaborations can also be forged possibly through industry associations, to enable them to address common issues plaguing a geographical region or an industry. Further information on how collaboration and pooling of resources by SMEs in this context can possibly help the sector is detailed in Annexure I.

2.5 Cluster Development Approach for the SMEs

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/similar products/services. The essential characteristics of enterprises in a cluster are:

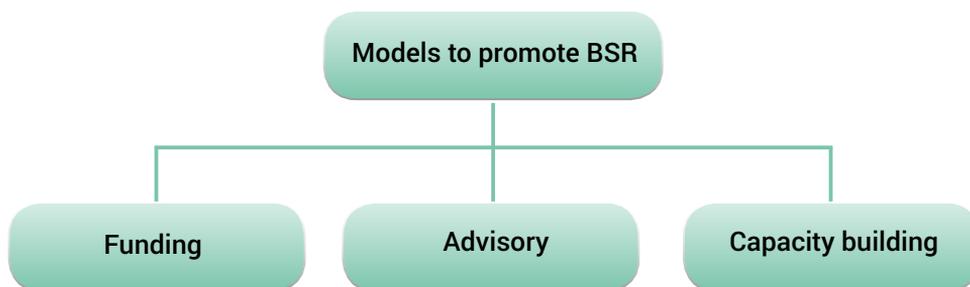
- (a) Similarity or complementarity in the methods of production, quality control and testing, energy consumption, pollution control, etc
- (b) Similar level of technology and marketing strategies/practices
- (c) Channels for communication among the members of the cluster
- (d) Common challenges and opportunities

The network model-cluster approach is considered appropriate to initiate BSR, as most of the government based incentives and programs follow this approach. This approach shall enable the SMEs to enter this domain to uptake BSR activities through co-operation and competition to start with. In addition, there are several specific clusters promoted by governments and reputed institutes, such as, women managed enterprise clusters (ALEAP, ALETA, COWE) and youth focused programs, such as BYST (CII). Embedding BSR as a business practice by these enterprises will further enhance their effectiveness and sustainability.

Being part of a cluster can also minimize challenges faced by SMEs. *After analysing the field situation, it has been concluded that, cluster approach either related to geographic cluster or sector specific cluster may not be feasible and effective. In fact, gathering a group of like-minded and enthusiastic enterprises for the purpose of forming a cluster for BSR deployment is more encouraging and practical.*

The cluster for the purpose of BSR may consist of diverse SMEs that are interested and motivated in implementing BSR practices. The diversity may cut across sectors and scale.

In order to promote, BSR into the SMEs and the clusters, BVIC considers using a combination of models, as appropriate:



To initiate, it is intended to build a strong case for BSR in SMEs, by initiating BSR practices in SMEs/cluster of SMEs through a funding model. The funding model will support SMEs to have a proactive approach to undertake BSR activities in their enterprises. BVIC acts as a facilitator in getting the SME/cluster based BSR initiative funded through a partner or development agency. The cluster approach would relatively optimize the funding requirement too.

While funding model is best to initiate BSR, the long-term and sustainable model is by partnering with like-minded associations, such as, CII, UNIDO, SMERA etc. This will help promote BSR as a business case, while progressively making this model more sustainable for the stakeholders involved.

The Capacity building model will be an ongoing process to transform the perception of SMEs to approach BSR in their enterprises. Further to impart knowledge on shared value perspective and its benefits to entrepreneurs and in turn, to increase their appetite towards implementation of BSR. The capacity building model works through periodical workshops and half a day sessions.

CHAPTER

3

Ascertaining the Opportunities and Challenges in Promoting BSR Concept in SMEs and Learnings

Opportunities for BSR in SMEs

1. **For SMEs, BSR is a matter of becoming competitive.** UNIDO defines Social Responsibility as a management approach whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
2. The manner in which SMEs can integrate BSR is **to be an employer of choice**. It is not just about being profitable.
3. **BSR in supply chain.** Large organisations who are disclosing their sustainability impacts are enrolling SMEs in their supply chain to proactively address BSR elements.
4. **Geographically wider presence, possibility of engagement with more communities.** SMEs can play a significant role in helping communities in wider geographical areas through their widely distributed presence.
5. Institutes and Non-profits are investing in start-ups through various forms of incubators as a part of their programs. They are nurturing start-ups that can disrupt traditional business models or have a social impact. When SMEs work on social impact creation, they are likely to attract financial support.

What challenges do SMEs face in implementing BSR?

1. Typically SMEs **pursue immediate concerns of business survival** and therefore may not see long term impacts of BSR elements as feasible to engage with.
2. **BSR can be interpreted differently by different stakeholders.** While SMEs are engaged in BSR related initiatives, yet they do not label it because of their lack of awareness on BSR related trends. Owing to different definitions of BSR, SMEs are less likely to participate in BSR related dialogues as they **may see BSR as over and beyond their business priorities**.
3. **SMEs do not have trained human resources, who can design and implement BSR initiatives that would contribute to the triple bottom-line.** While the larger companies typically have sustainability/CSR teams, the SMEs might find this difficult and unaffordable.

3.1 Responsible Business Practices in SMEs: Indian Scenario

Globally, SMEs play an important role in contributing to the economies and delivering equal employment and growth to the societies they are part of.

Micro, small and medium enterprises (MSMEs) are the backbone of both developing as well as developed nations, given their presence in large number as well as significant contribution to total output and employment. There are an estimated 46 million MSMEs employing around 100 million people, contributing towards 45% of manufacturing value added and 40% of exports.

The Prime Minister Mr. Narendra Modi's first priorities are 'Make in India' and 'Start in India', which shows the role manufacturing plays in the economic growth story. With the agenda to eliminate poverty, ambitious GDP growth targets of 10% are necessary. The SMEs have an immense role to play in this crucial agenda. The focus should not be on making in India alone, but should also be on the development of skills to follow sustainable production. Along with producing goods with high quality standards, emphasis is also on ones that have zero effects. This is a tall order, but it is inescapable. The initial and long-term costs are important and they must be factored in.

The challenge is, how to promote these 46 million MSMEs towards 'Zero Defect Zero Effect' production. Interestingly, a significant proportion of these MSMEs are represented by their industry associations and chambers of commerce, also called Business Membership Organizations (BMOs). BMOs being the most trusted ally of MSMEs, they are best suited to promote the concept of "Responsible Business" in a balanced manner among millions of MSMEs in India. These BMOs have individual MSMEs and/or other BMOs as members, to whom they provide a variety of services. The role of the BMO's initially was limited to business advocacy with few of these BMOs providing strategic services to their members on economic aspects, like linking up with financial institutions, related service providers, setting up common facility centers, undertaking skill development, quality certification, etc. Very few BMOs have gone beyond implementing economic development activities to support MSMEs in improving environmental and social aspects of doing business. However, the good initiatives implemented by some of the BMOs are not known to other BMOs in the country, who are not much aware of the benefits of being responsible and the way it further benefits their members.

Therefore, in order to spread the message of importance of being responsible and recognize the responsible work done by BMOs in India, and promote them with necessary encouragement, the **first awards on Responsible Indian BMOs** were organized in 2015 and second in 2016.

The third awards will reach out to 1,500 BMOs in the country through the database available with Foundation for MSME Clusters. The awards for 2015 and 2016 demonstrate few promising examples in this direction:

Business Responsibility initiatives that came forward for awards in 2015 & 2016

Energy/Environment	Social (Workers, Community and others)
Promoting energy efficiency in MSME foundries	Promoting industrial harmony and peace through fair wages and benefits
Setting up sand reclamation park	Hospital for industry and general public
Zero liquid discharge from dye industry	Marketing support to artisans and MSMEs to enhance return and sustainability
Setting up common effluent treatment plant for handicraft sector	Awareness among leather artisans on harmful effects of liquor
Setting up park for environment-friendly imitation jewellery	Promoting safe drinking water for workers and general public
Technical services to engineering industry and pollution control	Eco-friendly exclusive women entrepreneurs park
Clean and renewable energy for manufacturers of knitwear for exports	Promoting women entrepreneurship by mentoring and incubation support
Raw material bank for cleaner production in a knitwear cluster	Promoting youth entrepreneurship
Establishment of MSME solution centre for promoting energy efficiency	Policy advocacy for street vendors providing food to millions
Protecting environment and controlling casting wastage through better practices	Rehabilitating child labour through literacy and vocational skills
Reducing pollution of river water by controlling discharge of industrial effluents	
Using coconut husk as a substitute for wood to save trees	

The objectives for the awards in 2017 are to encourage BMOs to promote Responsible Business Practices among MSMEs through the following activities:

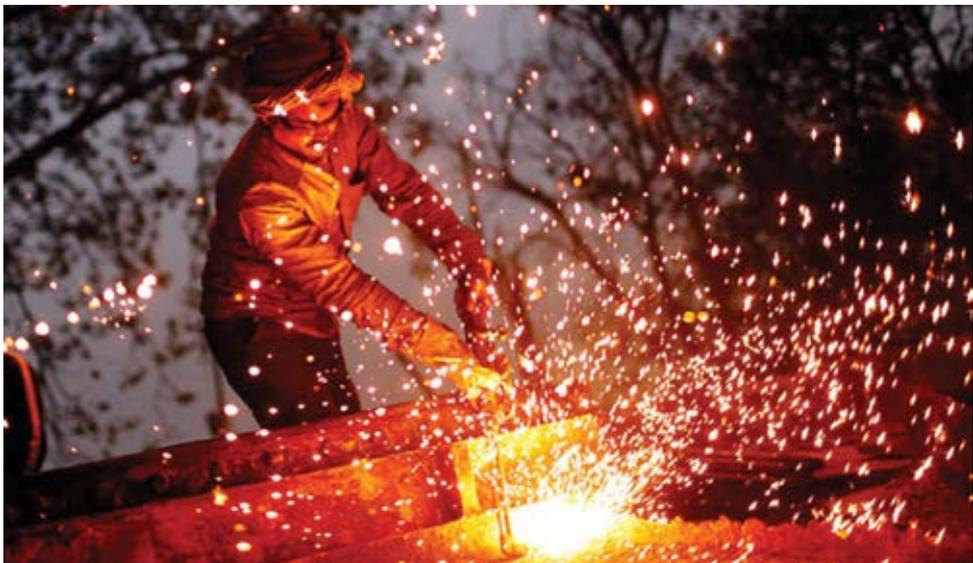
- Encourage the MSME support institutions to support BMOs in promoting such activities

- Disseminate nationally and internationally the best practices undertaken by BMOs towards promoting “Responsible Practices among MSMEs”
- Promote cluster/group based schemes of Government of India, like lean under NMCP, MSE-CDP, etc

All these will promote ‘Zero Defect Zero Effect’ production in MSMEs for the country as a whole.

It was seen that when BMOs comprising of SME clusters were led with implementation partners like UNIDO, TERI, GRI, etc., the SMEs experienced benefits from these initiatives, which required to be continuous programs to help SME sector improve and reap the benefits in the long run.

TERI is known to have done extensive work with Industry on energy consumption and energy reduction. Most of the policy initiatives, as a part of the Energy Conservative Act primarily covers large sectors. However, SMEs who are responsible for nearly 50% of the energy consumption of the industry, have much scope for improvement. TERI identified broadly 200 or so SME clusters that are energy intensive and began its work with them with funds from SDC (Swiss Development Corporation). They used a cluster approach, but also went in depth, at an enterprise’s operational level and further to process levels within, to estimate the potential for energy saving. Firozabad glass industry was one such cluster, where the glass melting process was extremely energy intensive. Experts in glass making from England assisted the SME clusters to build capacity of local service providers to take forward the work as



an exit strategy. This was the approach to implementation of energy conservative initiatives by TERI.

Another project funded by European Commission covers around 7 clusters across 3 states in India. 474 Foundries adopted energy efficiency measures resulting in 16000 MT of coke saving per annum. 375 foundries improved their working conditions through Occupational Health and Safety Measures, impacting 5000 workers. Capacity building of 54 BMOs on Sustainable Business Practices was completed. Further provided financial linkages to 92 MSMEs and supported them in accessing institutional finance.

3.2 Responsible Business Practices: The SME Business Cases

Under this section, we have analysed and explored the case of Small and medium-sized enterprises (SMEs) from India & Europe, where they are the backbone of the economy. In Europe, SMEs represent 99% of all businesses. In the past five years, they have created around 85% of new jobs and provided two-thirds of the total private sector employment in the EU. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation and social integration in the EU.



The case studies presented here are specific to SMEs and are considered as model projects for illustrating the benefits of BSR implementation. The case studies emphasise on the challenges faced by these enterprises and how adaptation of business responsibility practices helped them overcome the challenges successfully. In addition, the case studies indicate immediate and long term business benefits, both in terms of financial strengthening as well as overall recognition and development of the businesses. The nature of initiatives undertaken by these enterprises are with focus on core and common business elements, with high replicability across geographies and economies.

The Indian and European case studies presented here include both manufacturing and service based enterprises, which further proves the fact that implementation of business responsibility initiatives positively impact either category of enterprises alike.

INDIAN CASE STUDIES



AVANTEL Transparency and ethical governance drives innovation and sustainability

Avantel Limited is a technology driven research oriented company with a proven track record of over two decades in wireless and satellite communication technologies. Their continuous and dedicated efforts offer cost-effective technologies to Indian defence sector.

Avantel places heavy stake on the operational philosophies and management systems. With great vision and direction of the founder, the company embedded key business responsible initiatives into their main stream operations to ensure effective integration and measurable benefits.

Some of the key responsible business measures undertaken by the company are listed here:

- R&D facility is a Gold rated green building certified by Indian Green Building Council (IGBC)
- Installed Rooftop solar power facility of 25 kW capacity
- Transparency and accountability (in-house ERP) drives all the business functions
- Commitment to highest standards of corporate governance with ethical code of conduct
- Established Employee Welfare Trust for the benefit of employees and additional facilities
- Continuous learning environment with fair pay, equal treatment, safe conditions, anti-harassment, employee first and welfare policies in place
- Spends on average 3% of net profits towards social responsibility (CSR) through dedicated trust for school infrastructure, renovations and support for poor children
- Offers free access to in-house developed online portal 'Wonderwhizkids' for government schools and underprivileged segment students

Business benefits

- Consistent financial performance record over a decade, with over 40% growth estimation
- Reduction in 20% energy consumption through solar power substitution
- Improved productivity with high traceability and accountability
- Substantial improvement in control, optimization of resources and inventory management
- Earned its position as a preferred supplier for specialty products
- Awarded 'Excellence in Indigenous Development' by Society of Indian Aerospace Technologies & Industries (SIATI), 'India SME 100 Awards' by India SME forum (2016) and received 'IEI Industry excellence award 2015' by The Institute of Engineers (India)
- In-house state of the art R&D centre, recognized by Department of Scientific & Industrial Research, GOI to meet unique and special requirements
- A centre of excellence and innovation of Indian defence services





SHREE ASHTAVINAYAK GLASS

Inclusive approach for sustainable business

Shree Ashtavinayak Glass (SAG) is a green-field glass processing plant. The company manufactures wide range of glass from toughened glass to heat strengthened glass.

SAG has taken several projects beyond the fence and stands apart from the rest with the following impressive initiatives:

- Use of 225 kW roof-top solar energy installation for grid substitution
- Effluent treatment plant for effective treatment & reuse of sludge for brick manufacturing
- Purchase of environment friendly and RoHS complied products and services
- Established biogas plant in the premises for treatment and gas is used for canteen purposes
- Storage and use of rainwater for process and domestic application
- Construction of check dam at nearby village for rainwater harvesting & storage
- Implementation of milk run model, localization of suppliers, reduction in packaging and carbon footprint of the supply chain
- Responsibility of operating two schools in nearby village and adopted the Salav village. The model village is equipped with biogas facility, solar lamps, water harvesting projects and other green initiatives.

Business benefits

- Monetary saving of 40 lakh INR through green initiatives
- Reduction in specific energy consumption by 30% over the last 3 years
- Substitution of 17% of grid electricity with Solar rooftop PV system
- Reduction of GHG emissions by 26% within 3 years
- Reduction in specific water consumption by 39% within 3 years
- Achieved zero liquid discharge by reuse of ETP treated water
- Achieved CII GreenCo Platinum level company rating (refer. Annexure 2) in the year 2016.

NAHAR PAPER AND BOARD MILLS

Environmental sustainability ensures business profits

Nahar Paper and Board mills is into manufacturing of corrugated boxes and started its operation in 1984. The company upgraded to automatic corrugation unit in the year 2012 with a capacity of 1800 MT.

The company under the strong and committed leadership has carried out several responsible initiatives that have led to increased profits.

Several initiatives particularly on environmental sustainability have been undertaken by the Nahar team as follows:

- Strong commitment by management to adopt green policy
- Installation of Energy efficiency equipment & roof top Solar PV panels
- Employee friendly and development initiatives, such as, competitions, grievance redressal system, family involvement, recreational area, etc.,
- Logistics optimization through GPS based tracking
- Green belt development in the plant premises
- More than 90% of rain water harvesting potential has been captured
- Improved storage, segregation, disposal and recycling of waste with zero effluent discharge

Business Benefits

- Reduction in specific energy consumption by 28% in three years
- Solar power substituted about 55% of power grid power.
- More than 60% reduction in non-hazardous waste in three years
- 27% reduction in GHG emissions per kg of production in three years
- Attracts and retains esteemed national and international clients
- Achieved CII GreenCo Platinum level of excellence in 2017.



KHUTALE ENGINEERING **Quality, efficiency and environment are the key to business success**

Khutale Engineering Pvt Ltd is a certified ISO 9001, 14001 & CRISIL rated company. A leading manufacturer of sheet metal pressed components, tubular fabrication, assemblies with conveyors, Powder coating, Zinc Plating, Inspection – Testing, ETP and allied facilities in India.



By undertaking various business responsibility initiatives, KEPL has achieved business benefits while contributing to the society and environment as a responsible company through following measures:

- Implementation of 5S, TPM and TQM practices for productivity improvement
- Extensive monitoring of energy consumption by placing adequate energy meters for fixed and variable energy consumption
- Energy efficiency and power factor improvement through installation of VFDs and APFC panels
- Rain water harvesting systems to capture rain water within plant premises
- Roof-top solar PV systems to substitute more than 90% of energy consumption
- Inventorization of GHG emissions (Scope 1, 2 & 3) and tracking its reduction
- Use of returnable packaging to reduce environmental impact in supply chain

Business benefits

- Monetary saving of 5 lakh INR through green initiatives
- Reduction in specific energy consumption by 33% over the last 3 years
- Reduction in specific water consumption by 41% within 3 years
- Reduced over 60% hazardous waste generation
- Reduction in effluent generation by 38% in the past 3 years
- 26% reduction in raw material waste generation in the last three years
- Achieved CII GreenCo Platinum level company rating in the year 2016

EUROPEAN CASE STUDIES



SANDYMOUNT HOTEL Green policy reduces costs and boosts business

SandyMount is an independent, 3-star hotel with 87 staff providing a quality home-from-home experience for guests over 60 years and are responsible members of our local community. Sandy mount adopted a comprehensive Green Policy, which now influences all their operational decisions.

Sandymount's comprehensive Green Policy at Hotel began as a management decision to cut costs, over a period, the wider benefits of 'being green' were understood.

Ever since, Sandymount has undertaken the following measures as part their responsible business strategy:

- Reduced energy and water consumption
- Waste prevention programme
- Driven by enthusiastic green team members to lead and comply
- Aerator shower heads in bathrooms for reduction in water consumption by 59%
- Low energy lighting throughout and card controlled electrics in guest bedrooms
- Recycling and waste stream optimization
- Obsolete furniture/equipment is sold for charity or donated to eco friendly recycling units
- Rechargeable batteries and 'recycle' abandoned books in our Free Wee Library
- Green purchasing policy favours suppliers who use minimal packaging or will take it back for recycling or re-use.
- Reviewed menus to avoid food waste and measures not to order, prepare/serve more than required.
- Vacuum packer and cooking oil filter help the kitchen team cut out unnecessary waste

- Provides recycling bins for guests use as well as offering towel and linen re-use schemes and a housekeeping opt-out programme.

Business Benefits

- SandyMount's outstanding waste prevention policy won a prestigious Repak Pakman Award.
- Won the Responsible Travel and Tourism Green Marketing Award 2015
- Green Hospitality Programme's Member of the Year 2015
- Green accreditation has brought valuable corporate bookings, which otherwise would not have been possible.
- Green investment has produced dramatic savings in energy and water costs.
- Received silver certificates from trip advisor Green Leaders and Green Hospitality Programme
- Won 3 awards for various aspects of green environment policy





TEG Making savings on utility bills while reducing environmental impact

TEG is a specialist engineering services' company providing tailor made solutions to the aviation, biopharmaceutical and pharmaceutical industries, supporting clients in over 30 countries with fast and effective solutions.

TEG is always working on improving their environmental impact, by continually evaluating waste and energy usage. This focus not only makes savings to the utility bill, but, also allows TEG to reduce environmental impact by using less energy, alternative methods or recycling more. Some particular projects initiated by TEG include



- Lighting: Replaced factory overhead lights
- Equipment: Replaced main compressors to a variable speed compressor
- Processes: Numerous smaller projects in machining processes and tooling
- Waste: Better segregation and recycling some streams of waste processing brought in house

Business Benefits

TEG significantly gained financially by reducing overall costs in different ways including

- Lighting project:€3000 (2,48,700 INR)saving per year in power usage
- Compressor project:€5000 (4,14,500 INR) saving per year, while also avoided creating unused energy and waste air in the process

Processes

- o Huge reductions in machining times including the energy needed to manufacture them
- o Reduced production times by as much as 60- 80% with environmental impact, also improved efficiency
- o Gained increase in machine life cycle time

Waste

- o Reduction in courier costs and associated pollution
- o Controlled the processes and the chemicals used to ensure that most environmentally friendly are used, where possible



CARAMBOLA KIDZ **95% staff retention through flexible workplace policies**

Carambola Kidz is an award winning, medium-sized company employing 70 people at its headquarters in Limerick. It produces and delivers 15,000 healthy and bespoke school lunches every day to children in 99 primary schools

Carambola Kidz achieved a fantastic 95% retention rate in an industry with typically high staff turnover by putting in place flexible workplace policies.

The innovative and responsible measures include

- Giving staff the opportunity to develop from one role to another
- Operating a cross-training policy in all areas and ensuring production processes are well organised to ensure workers are not overly taxed
- Adopting a 'Family First' attitude to accommodate staff members' lifestyles by offering various work shifts and arranging job-sharing, where possible.

For School children Carambola Kidz offers

- Programs & seminars on healthy lifestyle, sports, nutrition, anti-bullying, etc
- Education inclusion programme, focused on achieving higher rates of school completion
- Locally sourced ingredients to lead healthy lifestyle

Business Benefits

The company created a resilient workforce that's capable of adapting to change and growth in a seasonal, 24-hour business environment. The company also achieved:

- Recognition as top SME in Ireland for Corporate Social Responsibility in 2013
- The surplus created from savings has contributed more than €500,000 (4,14,49,900 INR) to schools to provide additional services
- 95% staff retention rate



ACADEMY Community collaboration for business success

Academy Internet (Brighton, UK) is a digital agency providing bespoke e-learning & internet marketing. Created after 2002 dotcom crisis, the company is aware of the fierce competition in the market and importance of standing out from the crowd.

Attracting and retaining top-talent was critical to their business functioning. AI wanted to survive and grow in the competitive climate, without compromising their personal values. While keeping the business needs & values integrated, AI designed its strategy with focus on three themes: Education, Environment & Employee interests.

Within the education, AI works on placements, course sponsorship and other support to Universities, while gaining access to top digital media talent for recruitment. Their engagement with young enterprise projects through support in terms of tutors and presenters helped staff to build their organizational skills and confidence with public speaking, while building relationship with local community.

In the environment theme, AI supported a wild life trust in their e-newsletters production, which in turn offered the staff with environmental & development opportunities, resulted in improved motivation at work.

AI also engages and partners for charity initiatives championed by employees, ensuring all round integration of employee interests with organization and work place.

Business benefits

The company efforts brought in the returns within a short period:

- 56% employees with improved competencies
- Staff turnover was extremely low & in 2007, no one left the company despite the industry average turnover of 20%
- Annual turnover increased from 36% to 88% per annum, with customer satisfaction and positive branding
- 1208% growth achieved in a span of five years
- Awarded 'Business In The Community (BITC)' small company in the year 2007

Conclusion

By deploying the Responsible Business Practices to great effect, these SMEs were successful in making profits, achieved tangible benefits, built relationships with local community, built trust with their stakeholders, retained valuable staff, attracted new customers and are driving in the path of sustainable growth.

CHAPTER

4

The Ground Reality and Field Perspective

4.1 Landscape of SMEs spread in Hyderabad -Telangana

About 1.5 lakh MSME units (all segments) lined up along the industrial areas of Jeedimetla, Balanagar, Shahpur, Maheshwaram, Adibatla, Quthbullapur, Dulapally, Kukatpally, Sanathnagar, Cherlapally, Nacharam, Mallapur, Uppal, Pashamylaram, Bolarum, Miyapur, Bachupally etc., (refer map below) concentrated in and round Hyderabad, Telangana.

4.2 Industrial Snapshot

Some of the major industries in Hyderabad include electrical fans, cooling systems, software industries, gems & jewellery, pharmaceuticals/chemical intermediates and automotive industries.

The major players in the SME sector are automobile spare parts manufacturing units, agro based industrial units, drugs, pharmaceuticals and chemical intermediates followed by electronics, plastic industry, precisions tool, food processing, packaging, printing, retail textile, software development and a few other segments. The SMEs across Hyderabad are distributed geographically as well as sectorally as follows:

Cluster Name	Cluster Name	No. of Firms	Turnover (mn INR)	No. of Workers
Hyderabad Agri Seed Producers	Agri Seeds	70	1,250	12,000
Hyderabad Fiber Glass	Plastic Products	300	1,000	5,000
Nacharam Fabrication	Engineering Equipment	400	1,000	4,000
Khushiguda Electronics	Electronics	200	1,500	3,000
Hyderabad Agabatti	Agabatti Sticks	N.A.	N.A.	N.A.
Hyderabad Electric Fans	Electric Fan	600	2,200	10,000
Hyderabad Foundry	Foundry	100	2,000	4,000
Hyderabad Leather	Leather	1,530	10,200	20,000
Hyderabad Pharmaceuticals	Pharmaceuticals	391	81,870	20,000
Hyderabad Plastics	Plastic Products	2,000	30,000	3,000
Hyderabad Pumps	Pump Sets	N.A.	N.A.	N.A.
Balanagar Machine Tools	Machine Tools	N.A.	N.A.	N.A.

4.3 BSR in SMEs –BVIC Study & Findings

For BVIC, BSR in SMEs is a strategic priority. Exploring further on specific gaps, opportunities and potential to design execution strategy and collaborations are the next course of actions. In the short-run, developing general and specific capacities, tools and facilitating through cluster approach are envisaged. However, SMEs acting alone will bring limited impact on the BSR agenda, and therefore multi-stakeholder and/or public–private partnerships will be instrumental in the development of comprehensive program in the long-run.

Therefore, promoting Responsible Business Practices among SMEs now necessitates a multipronged approach, which should include facilitating SMEs to recognize the business case, and then go beyond to contribute for inclusive, social and environmental development. In order to assess the preparedness of SME – Clusters for BSR, identification and analysis of potential interventions are studied to develop strategic executional perspective. In relation, BVIC undertook “A STUDY ON SMEs – BSR OPPORTUNITES AND CHALLENGES”, as detailed below.

4.3.1 Objective of the study

The study was designed and carried out to understand and evolve a strategic plan for SMEs on their Business Social Responsibility (BSR) practices. In essence, this study’s primary objective is to support SMEs in conceptualising and strategising BSR practices and design a long term strategy to bring the benefits of BSR closer to SMEs.

4.3.2 Survey methodology

As part of the study, a detailed survey was undertaken by BVIC across 70 SMEs located in and around Hyderabad. These 70 enterprises belong to 9 industrial sectors. SMEs participated in the survey are covered mainly from the following industrial areas of Hyderabad (marked in the **map**).

- Cherlapally
- Kushaiguda/ECIL

- Jeedimetla
- Balanagar
- Nacharam
- Kattedan
- Uppal
- Kukatpally

The survey methodology was through in-house questionnaires, wherein, the data was captured through direct interactions. In most cases, the interactions were with director, MD/CEO, proprietors of the enterprises. As a part of the survey, interactions were also carried out with nearby communities to capture their perspectives and feedback.

On completion of the study, detailed analysis was carried out to examine the opportunities and challenges for the SMEs participating in BSR.

Exhibit 1

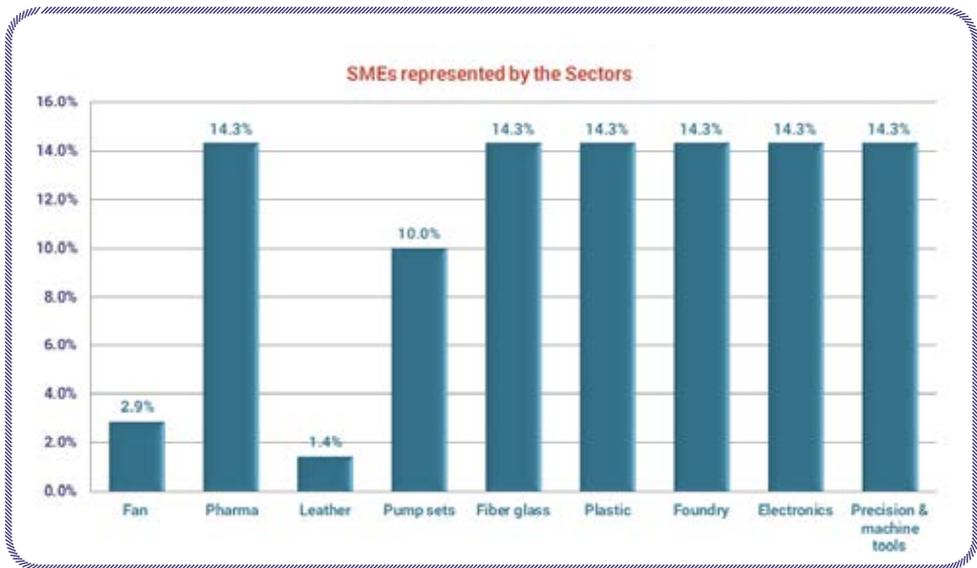
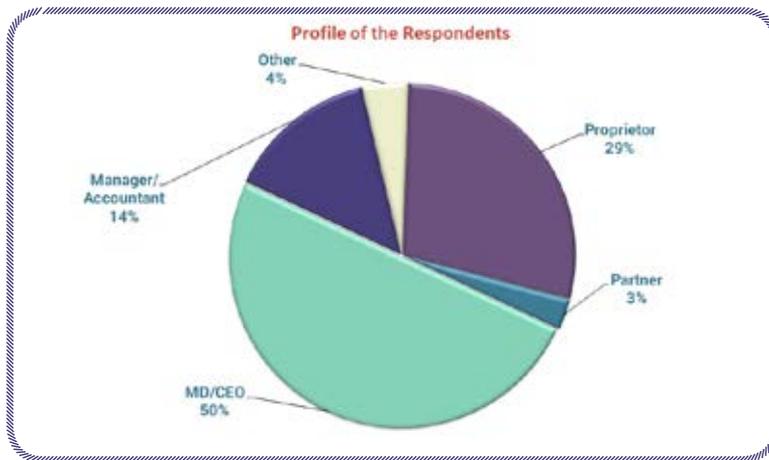


Exhibit 2 reveals profile of the respondents. About 81 % of the respondents that participated in the survey were MD/CEO, proprietors or partners

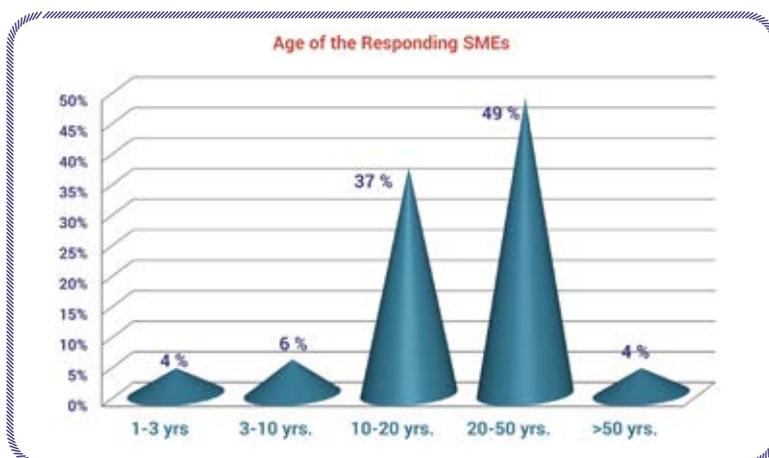
Exhibit 2



The survey examined BSR baseline, internal and external aspects of BSR, BSR motivators, impact brought about by initiating BSR activities, BSR execution and practice, requirements for effective BSR implementation and the community perspective on Enterprise's response to BSR related concerns.

Out of 70 SMEs surveyed, 4% of the respondents were start ups and 53% were enterprises existing for over 20 years. This indicates that a majority of the respondents that were part of the survey were from SMEs of a mature background with respect to the age of the enterprise.

Exhibit 3



Exhibits 4 to 6 indicate the estimated total turnover, main markets these enterprises cater to and the business growth in the recent years. The surveyed enterprises are both in growing and established SME segments, having a presence locally, at the national level, and a significant number of enterprises are catering to the export markets.

Exhibit 4

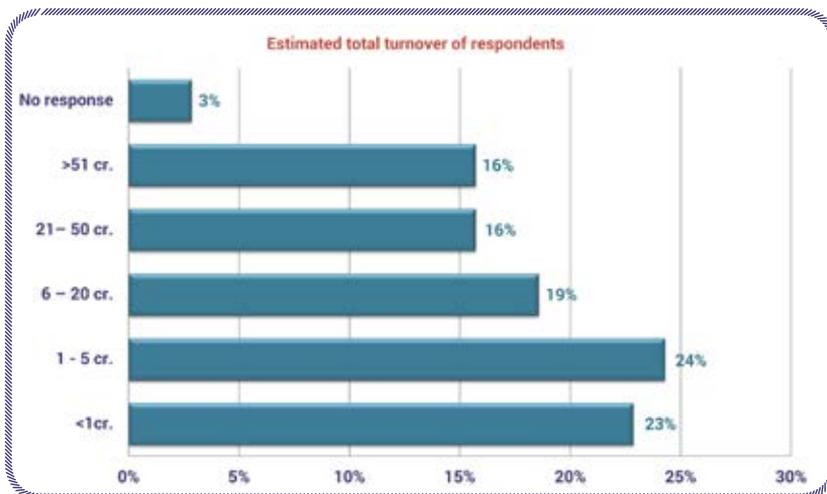


Exhibit 5



Exhibit 6

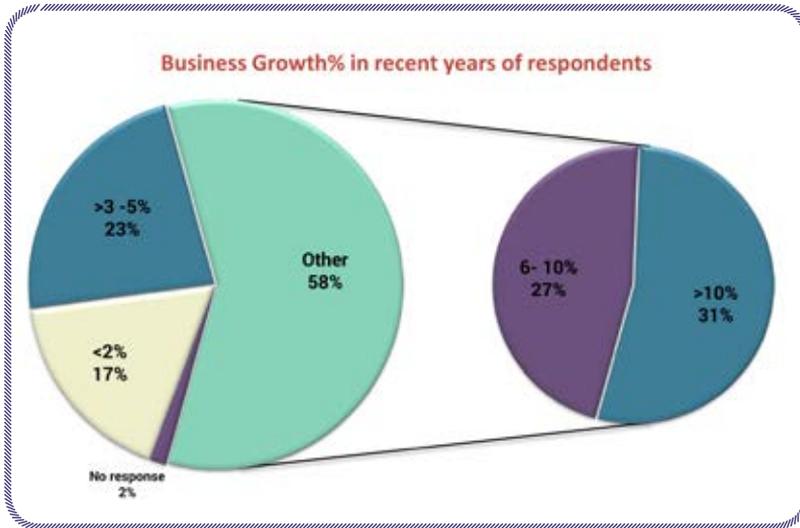


Exhibit: 7 reveals that awareness about social responsibilities is low and this can be one area for considering on priority during operationalising the BSR in SMEs. This aspect needs to be addressed during capacity building with SMEs.

Exhibit 7

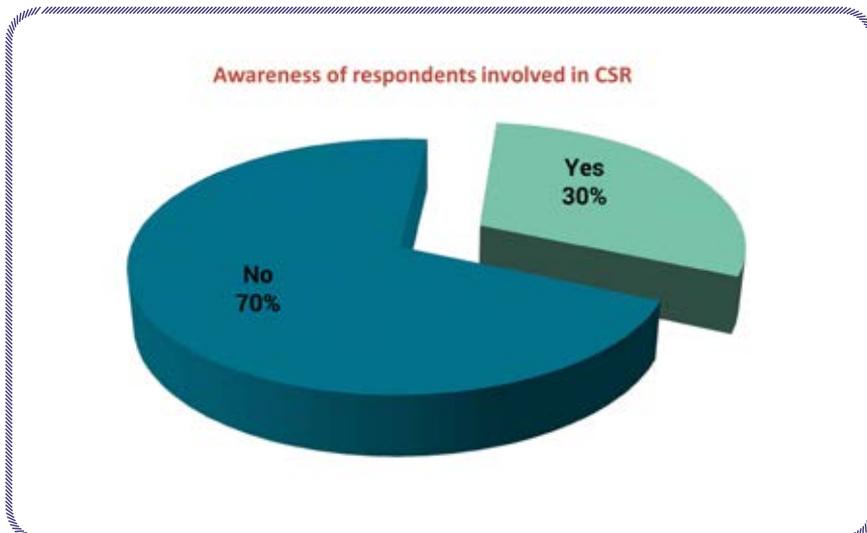
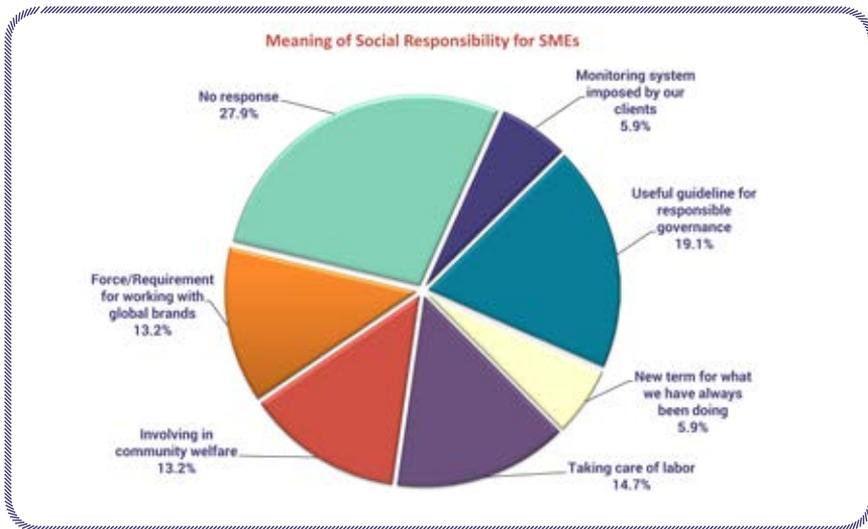
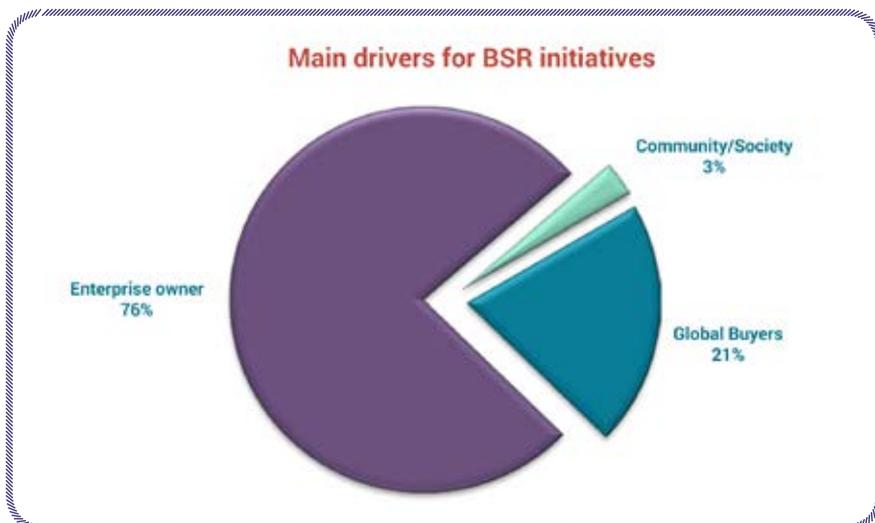


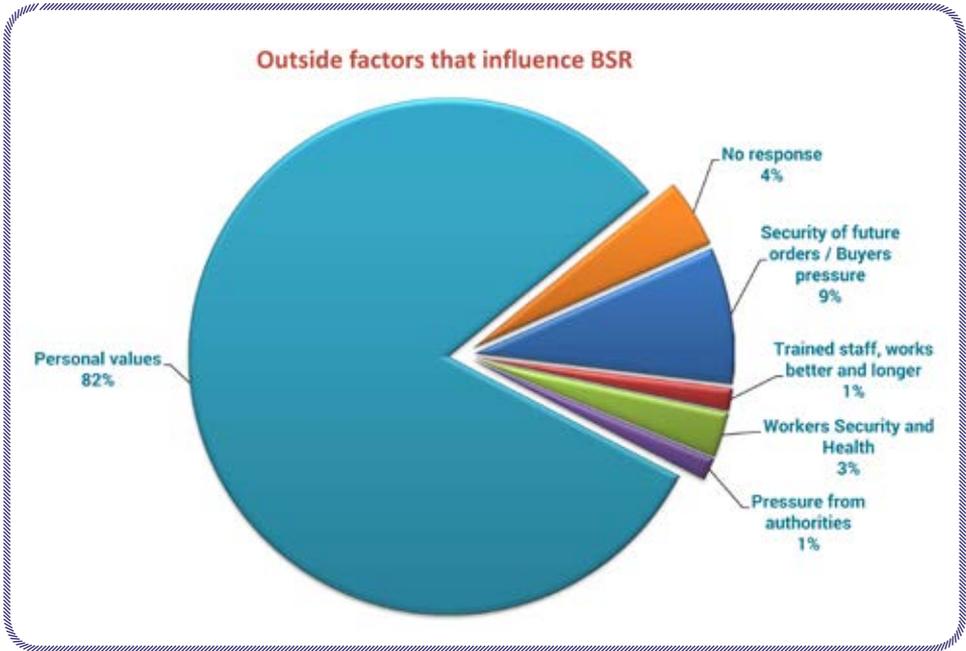
Exhibit 8



These two exhibits reflect positive aspects as they indicate that the enterprise owner / founder is one of the main drivers for BSR (Exhibit 9) and personal values have greater influence on BSR (Exhibit 10). This indicates that there is good BSR spirit, which can be tapped and nurtured. For BSR to sustain in these enterprises, personal values weigh high to integrate BSR agenda into the core business.

Exhibit 9



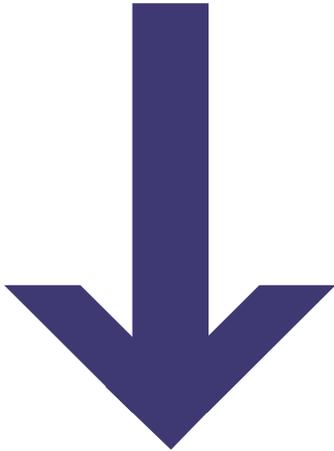


4.4 Opportunities, Challenges and Current BSR Practices

i) Study Findings

The findings of the study conducted across 70 SME enterprises examine the opportunities and challenges that SMEs face in initiating BSR.

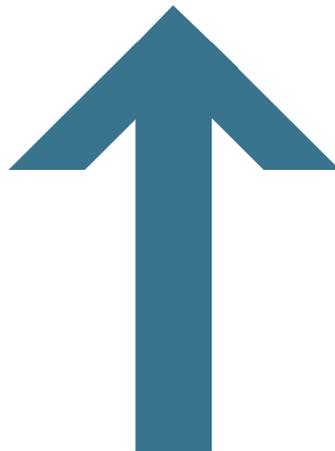
Challenges



1. It emerges that the SMEs considered as a part of the survey are less informed, low in awareness on BSR.
2. One of the key reasons is that BSR does not figure at all on the agenda of these enterprises.
3. SMEs operate with fewer resources in terms of manpower, expertise and their focus is in bringing sustainability to their balance sheets.
4. The SME sector is not being mandated for any business responsibility activities, could be another key reason for BSR not gaining the required momentum.

Opportunities

1. Firstly, capacity building in terms of enhancing the SMEs understanding, awareness and outlook of BSR concept needs to be initiated.
2. Owing to the size and in most cases, the MD/ proprietor (personal values) can influence the enterprise in creating value through BSR by addressing the internal aspects of BSR.



ii) Industrial Association's Involvement

Challenges	Opportunities	Current practices
<ul style="list-style-type: none"> As far as SMEs are concerned, not many initiate BSR activities due to funds mobilization, as majority of the SMEs are struggling to sustain their business with ongoing competition Another challenge is awareness across the enterprises, which is necessary to motivate the SMEs towards their business responsibility. It is perceived that social responsibility is considered viable only when enterprises reach a certain level of financial stability. 	<ul style="list-style-type: none"> Partnering with Industrial Associations can create multiple avenues wherein, it can create an opportunity for the benefit of workers' families and community of weaker sections to improve their livelihood. A health camp is one activity that has been conducted through the associations Increased awareness and willingness to participate by the SMEs has increased. In certain areas, the corporates are engaged in activities, which help local community in health camps, water and sanitary improvement initiatives around their own vicinity. The local Industrial Associations can partner in such programs for joint implementation. 	<ul style="list-style-type: none"> Some SME owners participate in social activities and in their own capacity carry out initiatives benefiting their employees and neighbouring community, such as, school education support, health camps, green belt development, environment campaigns, adoption of some segments of the community etc. With the support of other SMEs in the vicinity, associations conduct week long educational fairs, which helps industry employees to seek further education to uplift their social and economic conditions.

4.5 Sectoral Diversity Across Hyderabad

Based on the field interactions and review, the details of the SME sectors across Hyderabad are elaborated as follows:

- Existing Industrial Clusters of Micro & Small Enterprises, Balanagar:**
 There are more than 500 fan and fan component manufacturing units in and around Balanagar. These units are engaged in making of ceiling fans, pedestals and exhaust fans.

- **Chemical Intermediates/Pharmaceuticals Industrial Estate, Jeedimetla:** With the establishment of PSU IDPL, many small scale drugs and pharma units sprang up in and around Jeedimetla. A special industrial area at Pashamylaram has been established to promote pharma industry.
- **Plastic and Plastic Product Industrial Areas:** There are many units in **Jeedimetla and Kattedan** engaged in the manufacturing of plastic and plastic products. The establishment of Central Institute of Plastic Engineering & Technology too has contributed to the promotion of this industry.
- **Precision component SME units:** The large number of PSUs in and around Hyderabad have helped in the establishment of precision component making units, located near the PSUs. These units are engaged in the manufacturing of components required for space applications, defence, and exploration areas. Many of these items are import substitution items.
- **Electronic product SME units:** Kushaiguda is a hub of electronic units, mainly established to cater to the PSU ECIL. These units are engaged in the manufacturing of a wide range of electronic components and equipment.
- **IT/Software industry SMEs:** Software development is synonymous with the HITEC city and other IT infrastructure facilities provided in Madhapur area, Hyderabad. The software units have changed the face and the economy of the city. The high speed connectivity and broadband revolutions have helped in the development of this sector.

From the review of the industrial clusters of SMEs conducted through interactions with Industrial associations, NSIC, FTAPCCI, District Industries Centre, in addition to the above data on spread of SMEs across the landscape of Hyderabad, it is likely to yield tangible benefits working with like-minded and established SMEs. Integration of BSR with women led, youth led and social enterprises will result in greater impact in achieving equitable and sustainable growth. This emphasis in BSR implementation in SMEs can enhance the competitiveness of SMEs, further ensuring inclusive growth.

The established SMEs being relatively large players in the SME landscape of Hyderabad, are connected to large/corporate companies in their supply chain and hence, stand a chance to grow to become larger companies in the years to come. *Initiating these SME sectors in Business Social Responsibility will surely enhance not only their market presence, but also their day to day operations.*

4.6 Role of Industrial Associations & Institutional Bodies

SMEs in India have a key role to play in bridging the gap between the social and economic development while building a prosperous India. However, the unity and focus would bring SMEs in a line of action with the help of local associations. SMEs have ample chance to partner with Industrial Associations, Charity organizations, renowned social clubs, community associations and reputed NGOs to take up the initiatives to have more meaningful engagements

Over two weeks of survey to understand the present trend of BSR in various industrial zones, and interacting with Industrial associations and its members, it is observed that few of the industrial zones are more proactive in terms of taking ownership in BSR activities in SMEs development, improving community needs and helping workers in a way that their socio-economic conditions are improved.

Out of the areas surveyed, Cherlapally Industrial area was promising, followed by Mallapur Industrial estate and Balanagar industrial estates. However, there is a huge potential and scope for the Industrial Associations and its active members to motivate SMEs in the right direction to have BSR strategy goals initiated along with business improvement, in a smaller way. This would help reach its goals for overall development of workers, community and clean environment while aligning to the concept of 'Zero Discharge – Zero Defect'.

It is recommended to initiate interventions, such as, mobilising enterprise founders by partnering with the Industrial Associations through workshop engagements on integrating BSR in SMEs. Further, it is also essential to create a platform to initiate communication on BSR, conduct awareness programs and directly engage with enterprise founders to capture their views on BSR.

CHAPTER

5

Way Forward in Operationlising BSR in SMEs

Many SMEs actually incorporate BSR activities in their everyday operations, but they just don't know they're doing it. Their lack of awareness fuels this passive action. While passive engagement by SMEs is encouraging, active engagement promises many more direct and tangible long-term benefits to both businesses and communities.

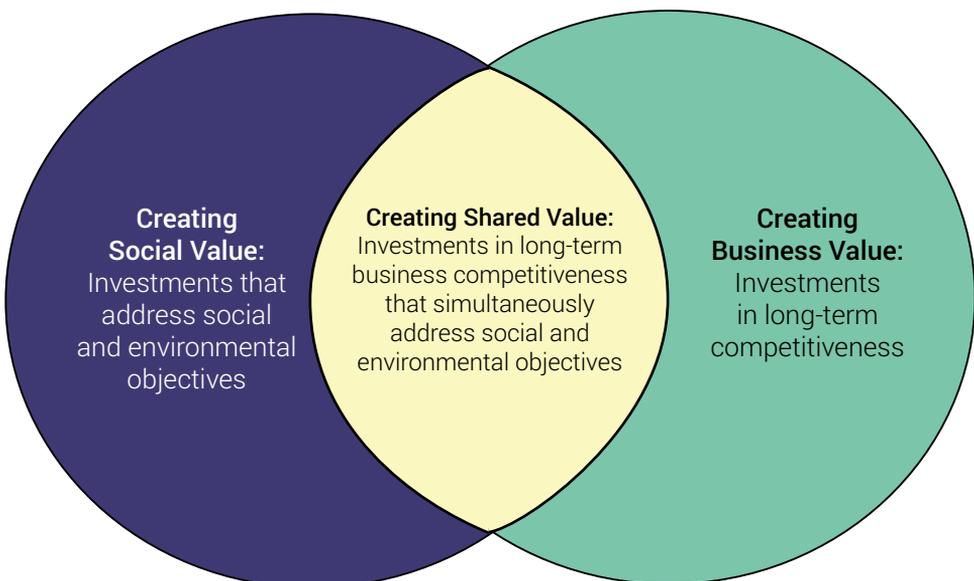
5.1 Key Insights

- SMEs commitment to BSR can be considered easier to integrate because there is close involvement of owners and founders in running of SMEs. SMEs are often connected with the local communities in terms of providing employment. They may also rely on business relationships with customers and suppliers and others based in the local community. There is immense potential for SMEs to gain, when aligned to BSR goals.
- SMEs generally operate in an isolated model. The cluster approach is recommended to initiate BSR, as most of the government based incentives and programs follow this approach. It shall enable the SMEs to uptake BSR activities through cooperation and competition. Being part of a cluster can also minimize challenges faced by SMEs.
- There is a large pool of research evidences that SMEs who are engaged in networks or supply chains are significantly more likely to engage in BSR practices. By working collaboratively with other SMEs and larger businesses within their region, or within their business sector, they will have a greater scope to achieve more.
- Collaborating with varied clusters contributes to the overall development and long term Growth. BSR implementation can enhance the competitiveness of SMEs and in turn ensures inclusive growth.
- While working with this approach, it is recommended to consider working with women led / youth led enterprises. Along with business enterprises, it is also recommended to consider working with Social enterprises. Social enterprises are largely SMEs and are recipients of funding from corporates and development agencies and are in some cases incubated by corporates that support BSR.

- SME partnerships and collaboration with organisations, forums, associations (like CII, FICCI, UNIDO, SMERA) and sector specific bodies will ensure penetration of BSR in the SME sector. This will also enable SME enterprises to look beyond from purely community developmental programs to more encompassing environment management, energy conservation, resource optimization, employee safety and good governance to name a few.
- It appears that BSR as merely social obligation will not work in the SME environment. Integrating BSR as shared value and competitiveness enhancing element looks promising. What would otherwise be classified as best practices, efficient management & business excellence in larger organisations, within SMEs would be seen as BSR, a way to generate profit along with responsibility towards the various stakeholders and the environment. It would be truly bringing the Triple Bottom Line approach in the SME ecosystem.

Why 'Shared Value' as a strategy for BSR penetration into SME sector?

Shared value definition of social responsibility, promises integration of social and environmental opportunities and consequences as an integral part of business strategy



Conventional CSR vs Shared Value BSR

The qualities and benefits of shared value strategy is compared against the conventional CSR strategy below:

Criteria	Conventional CSR	Shared Value BSR
Intent	Philanthropic, beyond business, voluntary	Source of competitiveness, innovation & opportunity and strategic. Mindful of interdependence of business and society.
Distinction	Inspired by enlightened management, wanting to serve the larger society by deploying business bottom-line. Serving causes that may or may not be aligned to the core business. Likely that such an approach is created through a Not-for-profit foundation of the business	Inspired by operating sustainably, securing long-term economic performance by avoiding short-term behaviours that are socially detrimental and not environmentally sound.
SME context	SMEs prime focus is on survival and competitiveness. Participating in beyond business initiatives would be unsustainable and irregular.	Competitiveness and stakeholder engagements promise new ways of building internal capacity in SMEs. Need for growth is significant, which can be fulfilled by shared value strategy.
SMEs & promoting responsible entrepreneurship	Only few established SMEs who may look at social causes and the way they can serve it.	A larger catchment of SMEs can be nurtured by promoting competitiveness, growth & risk management, through integrating social and environmental aspects in business strategy
Frameworks	Based on interest of the founder of the enterprise	Based on triple bottom-line approach.

SMEs must adopt BSR for innovation, creativity and flexibility, which will enable them to respond more quickly to structural changes and to adapt the dynamic demand patterns of consumers.

The government must look into policies and legislations for the benefits of SMEs adapting BSR and take up initiatives aimed at encouraging SME involvement in BSR. Moreover, for SMEs to fully utilize their potential, it is essential that the entrepreneurs along with government support take necessary steps in this right direction.

The SMEs of yesterday are the large corporates of today and could be MNCs of tomorrow. Thus, the banks and other agencies should take pride while servicing the SMEs, as they are playing an instrumental role in this transformation for a better tomorrow.

Thus, Business Social Responsibility is not just the responsibility of big giants, but also of small and medium enterprises. The shouldering of business responsibility alone by the large corporates cannot ensure the equitable growth the country is in dire need of, unless SMEs come forward to part the responsibility. On a positive note, the onus of operationalising BSR in the SME sector is gaining prominence, as this sector constitutes a large percentage of India's economy and also regarded as a crucial factor in boosting the enterprise's long-term competitiveness.



Closing Note

With a strong belief, BVIC advises that the businesses must ensure best and responsible practices within and outside their boundaries for sustainable growth. The focus on SMEs in particular is due to their struggle to cope-up with their limitations and scarce resources. On the other hand, the number of these businesses is huge, with great employment generation potential and proximity to communities.

The eco-system in India for start-ups (mostly SMEs) is thriving, with multifaceted opportunities for achieving tremendous growth for both business enterprises and social enterprises alike. As current start-up environment is flexible and accommodative with gender equilibrium, the focus on youth and women led enterprises development has seen manifold increase from governments, as well as, non-governmental & private sectors. This sea-change in the entrepreneurial eco-system is in sync with BVIC philosophy to empower women and youth entrepreneurs, through Social Entrepreneurship (SE) and Business Social Responsibility (BSR) programs.

BVIC believes that by sensitising SMEs to adopt Business responsibility practices, there is a greater positive impact on the society and environment as a whole, leading to inclusive growth and sustainable development.

In the long term, BVIC also foresees the opportunities to be a one-stop solution for business responsibility services in SME sector. BVIC with about three decades of background experience from Bala Vikasa in Corporate Social Responsibility and Community Development aspects, plans to streamline and promote the Business Social Responsibility practices in SMEs in an effective and practical manner.

SMEs and Collaborative CSR in India

The business activities of SMEs are performed in proximity to local community. This enables them to be aware of community needs, manage expectations and develop relevant programs appropriately.

Now that CSR clause in the Companies Act, 2013 covers companies that have a net profit of five crore INR and above, it is expected that while micro-enterprises will not qualify, many Small and Medium Enterprises (SMEs) will. While the quantum of revenue available for BSR with individual SMEs is expected to be small, all eligible companies in a specific geographical cluster / sector specific cluster, who single handedly as well as collectively impact the same community, can pool their resources to create a sizeable fund.

Collaboration of SMEs for CSR initiatives

Undertaking collaborative CSR activities by SMEs ensure long-term contribution to CSR initiatives. This collaboration can also be used by other companies to maximize the impact of their CSR initiatives, while reducing the operational costs for fund management.

SMEs participation has by and large not been consistent and encouraging in CSR. One possible reason can be the fact that CSR activities depend on the profits of an SME and any fluctuations in profits can adversely affect their capability to continue their contribution for CSR. Another reason can be the limited human resources available to SMEs, which may also result in the lack of a professional approach.

SMEs tend to focus on short-term activities that involve lesser operational costs. A survey conducted by UNIDO in 2008 on five SME clusters in India, found that 31% to 79% of the SMEs in these clusters, preferred charity donations rather than long-term programs for local communities.

With the introduction of the new Companies Act, 2013, the SMEs approach to CSR has to be modified while keeping operational costs low. One viable alternative is to pool resources with other SMEs in the cluster and create joint CSR programs managed by a single entity. This collaboration can be formed within the units in a cluster as they interact with the same communities and have already established associations that cater to the business needs of the units.

The first step involved in collaborating is to create an alliance of interested SMEs. This may be initiated by the cluster association in case of large-scale participation from the cluster. Alternatively, it can be initiated by an individual SME in case there are only a few units interested in undertaking CSR activities in collaboration. Involvement of the cluster association will ensure that the local priorities are given due consideration, while developing CSR programs. In case a sufficient number of SMEs in a cluster do not wish to participate or are not required under the Companies Act, 2013 to spend on CSR activities, the boundary may be extended to other clusters, though this increases complexity.

In other words, CSR being an outward activity of an organization, may not generate greater interest in SMEs context. Yet, the collaborative CSR can be a promising approach for SMEs, provided the other elements in the eco-system are complementing this approach, as indicated.

In conclusion, it emerges that BSR with integration of both inward and outward dimensions of the business, is more relevant to SMEs and has substantial advantage over traditional CSR approach – both in compliance and competitiveness.

Source: An extract from handbook of CSR in India by CII & PWC 2013 and BVIC Analysis

GreenCo Rating Program for SMEs

Green Company Rating System (GreenCo) is the first-of-its-kind framework for evaluating the performance of companies on green initiatives and programs. GreenCo program helps to drive excellence in resource conservation, bottomline improvement, green image and goes beyond compliance. It also helps to provide strategies for long-term competitiveness, besides being an excellent tool for top management to monitor their green performance.



It acts as a tool for companies pursuing green practices, to assess where they stand and helps in defining the path forward to become globally competitive.

GreenCo & SMEs

The manifest capacity of Micro, Small and Medium Enterprises (MSMEs) for driving economic growth and development at regional, national and global levels cannot be overemphasized. The MSME sector in India continues to demonstrate remarkable resilience in the face of trailing global and domestic economic circumstances. It is easy to comprehend the salience of the role they play in social and economic restructuring of the country. In the last five years, MSME sector has exhibited a growth rate of 13% on an average, an impressive performance compared to most of the other manufacturing sectors.

While several large scale industries have taken major steps in greening the country through the GreenCo Rating System, it was imperative to expand the GreenCo rating in the SME sector and catalyse the movement. Apart from benefitting the environment, GreenCo rated companies have proven that implementation of green projects makes good business sense. GreenCo encourages companies to stay well ahead of compliance, and hence facilitate SMEs in improving their environmental performances beyond just compliance.

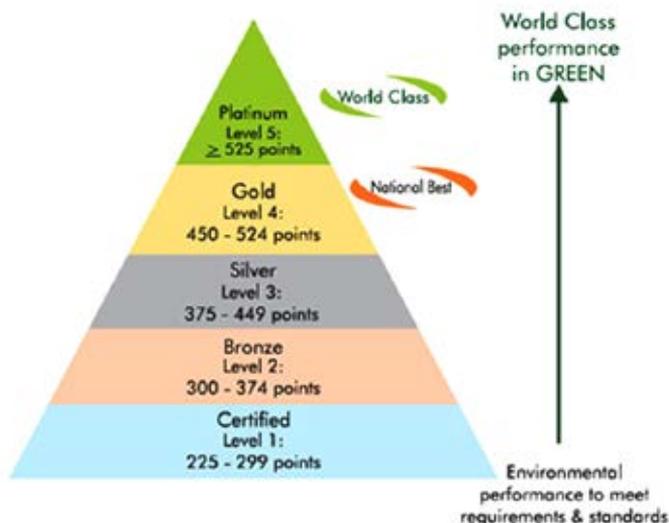
GreenCo rating program would address national priorities leading to benefits, such as energy efficiency, water conservation, use of renewable energy, better waste management, material conservation & reduced environmental impacts from SMEs.

GreenCo for SMEs - features

The Green Rating System would serve as an excellent tool for SMEs to improve their competitiveness, profitability, environmental performance & green image through:

- Resource Conservation
- Building global competitiveness
- Strengthening the bottom line by acting as an excellent tool
- Making SMEs as “preferred vendor partners” for larger corporates, GOI & PSUs
- Providing green company image
- Superior performance at global levels, in turn increases the export opportunities
- Driving new concepts, innovation and paving way for new business opportunities
- Enhancing credibility and providing increased ability to raise capital
- Equipping to meet future environmental regulations & mitigating future environmental risks
- Driving environmental performance of SMEs, in terms of energy & water conservation, resource optimization, waste reduction, reduced pollution & emissions

GreenCo SME - Rating Levels



Industry Participation

GreenCo SME Rating would act as a major driver for SMEs to pursue environment friendly initiatives. The approach when scaled up across the supply chain in a big way, over a period of time will make the entire Indian industry green and improve the competitiveness of the SME sector.

Many leading companies have come forward to handhold SME for GreenCo Rating as a part of their Green Supply Chain initiative.

As on May 2017, 15 SMEs have been certified in GreenCo rating and 40 SMEs are working on the implementation of GreenCo Rating.

*Source: Inputs from GreenCo team, CII- Sohrabji Godrej Green Business Center, Hyderabad
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About Us

Mr. Andre Gingras & Mrs. Bala Theresa Gingras, Founders

Mr. Gingras is an expert in international development and a diplomat who worked nearly 30 years in many developed countries with the Canadian International Development Agency. Both Mr. Gingras and Mrs. Bala Theresa Gingras are philanthropists, resolved to dedicate their lives for empowerment of poor in India. The founders continue to be the guiding force behind the innovative programs of BVIC, in keeping them relevant to all the stakeholders. They founded SOPAR (1977), Bala Vikasa (1991) and Bala Vikasa International Centre (BVIC) in 2014 to drive their vision and mission.



Mr. Shoury Reddy Singareddy, Executive Director

Mr. Reddy joined Bala Vikasa when it was founded in India in 1991. He took up several roles in the organization before he became the Executive Director of Bala Vikasa in 2009. He has vast experience of over 25 years working with grassroot communities, networking with multi-level stakeholders, carrying out effective PR and capacity building. He is instrumental in conceptualizing and launching of BVIC and is the senior most staff member, who greatly inspires the team in driving the organization's mission and vision forward. He holds a Master's degree in Social Work and a Diploma in Social Development from Coady International Institute, St. F. X. University, Canada.



Mr. Vijay Kumar M, Program Officer

Mr. Kumar is an Environment, Energy and Sustainability professional with 10 years of experience in Advisory and Auditing. He has contributed to the UN programs, corporate sector and industries practicing sustainability. He has experience in sustainability, capacity building, quality & environmental management and finance. He holds two Master's degrees in Energy management & Environmental science, apart from professional qualifications in sustainability, climate change, RE and CSR. He is instrumental in conceptualizing and handling sustainable & responsible business practices and advisory for SMEs & corporate sector at BVIC.





BVIC with its core values drawn from Sopar and Bala Vikasa, focuses on Social Entrepreneurship and Business Responsibility. BVIC nurtures social start-ups & non-profits through dedicated incubation and acceleration programs. BVIC's BSR and advisory initiatives aimed at Indian SME and Corporate sector to promote and inculcate responsible business culture for their and larger benefit, through unique knowledge sharing, capacity building, implementation partnership and advisory programs.

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