Corporate Activism

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Prof. Dr. Ana Adi

Corporate activism in India – risks and rewards

by Hemant Gaule

Earlier this year, I was part of the jury of Public Relations campaigns for "Abby Awards"; self-proclaimed as the Oscars of creative excellence in communications campaigns in India. Two things stood out in most campaigns we reviewed and selected as winners:

1. *High orientation towards Environment, Society and Governance (ESG):* Many organisations created initiatives that highlighted their social purposes and their commitments towards the same. One such initiative was by Uber India called Jersey Knows No Gender (which won a Silver at Abbys), aimed to bridge gender disparity in sports.

2. *Focus on driving change:* Overwhelmingly these campaigns strived to drive a behavioural change with their stakeholders, and occasionally influence their regulatory environment. For example – a campaign for a feature film called URI tackled the rampant issue of movie piracy. Not long after the movie's release a regulation banning torrents which was passed.

This zeal of organisations to stand by their social purpose has been at the forefront of many Indian businesses. It is indicative of a shift from the Friedman school of thought to the Freeman school. The former dominated the nineties and the naughties (when the stock markets boomed, and India grew at nearly 8 percent). For organisations that focussed on the latter corporate activism has been an integral practice.

The journey of Indian corporations from focussing primarily on profit maximisation to uplifting their stakeholders has been a long and transformative one. To understand the current scenario, it's worth a brief look back at this journey.

Corporate activism in India – A brief history

A crucial moment in the history of India Inc., and how it operated, was the Economic Liberalisation of 1991. It marked the end of the Licence Raj or Permit Rule, wherein many aspects of the economy were given to a select few (Aiyar 2001). The Government of India heavily regulated the corporate sector and decided who could set up a business and how. Yet there was little bureaucratic bandwidth, capability and often ethics, to monitor how businesses ran. Many businesses abused environmental norms, labour laws and standards of corporate governance (Chidambaram 2001).

There was little incentive for businesses to self-regulate and the duty to hold them accountable lay on activists. The pre-liberalisation brand of activism focussed on social mobilisation and was often confrontational. Their goal was to either change the impact that the firms had on them, or to be compensated for it. Impacting regulation was a distant possibility and hence not a priority.

As the economy opened up, corporate India embraced not only investments and business practices from the West, but also values of governance, ethics and inclusivity. These values gradually seeped deeply into the core of many Indian businesses. However, the degree to which they act on it has been a function of inherent risks. I discuss these risks in subsequent sections of this article.

Until recently only the largest organisations had the clout to navigate these risks for corporate activism. Organisations such as the $90 Billion-dollar "salt to software" conglomerate Tata Sons, are entrenched into the far reaches of India over their 150-year-old history. Consequently, they share the responsibility of addressing social issues with the state and used their resources to create change.

Their subsidiary Tata Tea is one of the few private organisations to partner with the Election Commission of India to run a voter registration drive called *Jaago Re* (Wake Up). Tata Steel set up their first steel plant over a century ago in central India, in a city practically built by the company and eventually named after their founder – Jamshedpur. The group has also run one of India's most successful employee volunteering programme, called Tata Engage.

Over time many organisations have discovered their own reasons for playing their part. Organisations realise that taking a stand is good optics, something that helps them enhance top line and shareholder value. Companies with higher focus on ESG tend to perform well on commodities exchanges (Somvanshi 2019).

According to a study by Weber Shandwick and KRC Research, about two-thirds of Indian consumers (highest globally) want CEOs or companies to express opinion on or act on issue that maybe controversial. It is a table stake for the new age Indian CEO to have a (progressive) view on, if not take actions on issues related to ESG. Rise of CEO Activism is one of the many undeniable evidences that India Inc. is striving towards activism.

What is driving this shift in India?

The shift in organisations' focus towards has been ushered by a combination of four key factors.

1. Organisations' understanding of their role in society

Organisations' self-image and self-perceived role in society are constantly evolving and responds to societal changes. As society changes its priorities, organisations expand the domains in which they take stands. Old organisations are looking for purpose in the new era and new age brands are finding their purpose beyond commercials. To a certain degree, it is about creating a differentiation – if they are at par with the competition in business metrics, how else can they create an edge? For many organisations, corporate activism has been the answer.
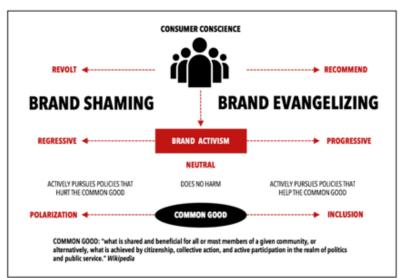
2. Evolution of stakeholder mindset

Three key stakeholders are leading the change that is increasingly inspiring corporations towards corporate activism.

A. Consumers

Millennials constitute nearly 34 percent of the India's total population (Deloitte, Retailers Association of India 2018). Their formative years happened with a boom in technology, information and social consciousness. They tend to respect and gravitate towards organisations that, like them, have a high sense of purpose and the will to act on it; and do not hesitate to penalise the organisations that don't. Phillip Kotler and Christian Sarkar presented a framework that shows how brand activism works and how consumers today boycott or buycott with zeal (Kotler & Sarkar 2018).

A FRAMEWORK for HOW BRAND ACTIVISM WORKS

"Brandshaming: The Kids vs. The NRA" – Philip Kotler and Christian Sarkar, The Marketing Journal

Buycotts are rising: 83 percent of consumer agree that it is more important than ever to show support for companies by buying from them instead of boycotting them (Weber Shandwick; KRC Research, 2018). The financial impact of these boycott/buycott may be short lived but it does leave a reputation impact. It can be enough to incentivise organisations to align themselves to the value systems of the consumers, in hopes of being reward with their patronage.

This demography is not fooled by mere promises; they will hold organisations accountable to act on it. In words of the Santosh Desai, CEO of Future Brands, millennials have "a high bullshit detector" (Tewari 2018). Advent of inexpensive smartphones and the world's cheapest internet plans have ensured that most of India's 440 million odd millennials are online and constantly connected. The implication is that organisations must be proactive, not reactive at activism.

B. Employees

India has the world's largest millennial population in absolute terms, and this group constitutes nearly half of India's workforce. In exchange for their efforts, they expect something larger than paycheques from their employers – clarity of the employer's vision towards ESG.

India's fast growth has been driven by the success of organisations in attracting, retaining and nurturing quality talent. In 2019 Zomato, an Indian restaurant finder and food delivery app present in over 24 countries become the first Indian company to give paternity leave of 26 weeks (Gurung 2019).

Around the same period, media group Star India extended Mediclaim benefits to partners of their LGBTQ employees (Jha 2019). The policies themselves are not as surprising as is their swift creation and seamless integration into these organisations, indicating a conducive shift in mindset of the employees.

C.　　Shareholders

Shareholders wield a lot of influence in India, and their interest usually trumped ideological standing of organisations. But overtime they've come to see profit and activism as two sides of the same coin and it is common for Indian shareholders to use their influence to hold firms accountable, often in matters of ESG.

Institutional investors tend to be more powerful and focus on governance as much as profitability. Coal India Limited – a state-controlled coal miner was taken to court one of their institutional investors, alleging poor corporate governance (TNN 2012). Shareholder activism is a powerful tool in India and organisations acknowledge that to stay one step ahead.

3.　Regulatory environment

In 2013, the Government of India mandated Indian corporations, meeting certain criteria, to spend at least 2 percent of their net profits on Corporate Social Responsibility. Subsequently many organisations unleashed the powers of their economic and knowledge resources, reach and influence on their ecosystems. A recent update to the regulation holds organisations accountable to a greater degree for compliance. The value of corporate activism has grown beyond self-interest, to enrichment of stakeholders.

As far as legitimate ways of lawmakers nudging organisations to invest in society go, it ends there. Sadly, the culture of rent-seeking and extortion by abuse of office has plagued India Inc. for generations. However, India may be inching away from this. Reducing bureaucratic red tape and therefore corruption has been the key agenda of the current government. Clubbed with greater transparency, influx of global practices and shareholders' insistence on ethical corporate governance, it is changing the way policy making is influenced. To put it bluntly, it's not as easy as it was before for organisations to buy their way into a conducive policy environment. Lobbying is an unregulated grey area in India, and lobbying efforts typically include garnering public influence. In greenfield areas of regulation, such as net neutrality, blockchain, drone technologies etc., the scope is immense for organisations to influence policy decisions via corporate activism.

4.　Role of activists

As highlighted earlier, traditional brand of activism in India was confrontational and obstructive. Grassroots activists can be handicapped by an authority deficit, unless organisations and general public recognise them as credible; the impact they create will be limited (Paynton & Schnurer 2010).

However, new dimensions are getting added to this aspect. In the last decade India has seen resurgence of seemingly small activists or activist groups take down

global behemoths. In 2015, an NGO Jhatkaa.org shook global FMCG giant Unilever for their Indian subsidiary Hindustan Unilever's (HUL) their alleged mercury contamination in Kodaikanal lake. They got public attention (and ultimately a response from HUL) by releasing a rap video on the issue "Kodiakanal Won't", to the tune of the song Anaconda, by Nicki Minaj. Eventually HUL had to respond (Iyer 2015). It's not silly if it works.

Activists today can mobilise greater and better-informed masses, without coming across as a nuisance. In addition to aiming for organisational level changes, they are striving for policy level changes. That is another motivation for organisations to be proactive.

Risks

It is difficult to visualise the socioeconomic, ethnic, geographic, corporate and political diversity of India. It makes businesses operating in India truly remarkable. Combine that with a dynamicglobal trend of corporate activism, we get a world that presents as many risks as opportunities. Below are discussed some such risks, which can also serve as a set if heuristics for organisations to follow.

Choice of issues

When organisations take a stand on an issue in India, it is often and quickly judged from religious, cultural and political ideological lenses. Opining on socio-political issues in India can be like walking a tightrope, with thin ice on one side and banana skins on the other.

Eagerness of brands to dial up their messaging during festivals can sometimes land them in controversy. Take for instance Diwali, the Hindu festival celebrated with fireworks, and Eid, the Muslim festival marking the end of a month of fasting. On the former, some organisations preach the importance of protecting the environment and animals and celebrating a "cracker-less Diwali". On the latter, the messaging inclines towards practicing kindness to animals – celebrating a "blood-less Eid". Neither goes down well with practitioners of respective faiths. Similarly, agreement or disagreement with the policies or performance of the government can sometimes label an entity as aligned to a particular political philosophy.

The heterogeneity of religions, cultures and political ideologies brings about sensitive boundaries. Even when there is no intent to take a stand, corporations can inadvertently find themselves under scrutiny. Twitter's co-founder and CEO Jack Dorsey found this out the hard way on his visit to India. As journalist Barkha Dutt put it: "..his PR dream soon became a PR nightmare... He also managed the impossible; he enraged both liberals and right-wing Indians"

Dutt was one of the several women changemakers invited by his team, to talk to him about their experiences of abuse on Twitter. Another was lower caste activist Sanghapali Aruna, who handed Jack a poster right before a photo op. The poster read "Smash Brahmanical Patriarchy" – a call for anti-caste politics. The phrase was seen as an attack against the Hindu upper caste, minority community of Brahmans, and Jack, Twitter and all those in the picture were accused of bigotry (Dutt 2018).

Twitter India and Twitter's Global Head of Legal subsequently apologised but the damage was done. Much of the backlash they faced was noise; but the impact on

their reputation was irreparable. The pre-existing notion of Twitter's left leaning bias did not help, and in-fact, it only got strengthened evidently.

When flirting with socio-political issues in India, organisations must go out of their way to separate their stance from political ideologies. It helps to be aware of any pre-existing reputation hazards, regardless of its propriety, that they may be suffering from, and recognise the criticism they are likely to attract naturally.

Figure 1. Twitter CEO Jack Dorsey holding a poster that reads "Smash Brahminical Patriarchy" (Vetticad 2018)

Credibility

Corporate activism efforts are more credible when their stand emerges seamlessly from their values and their capability to be a torchbearer of the issue. Dove's #RealBeauty campaign was much lauded but the underlying reality was that it is owned by Unilever, which also owns Axe – a brand thriving on messaging that contradicts that of Dove's campaign. Many brands cash in on ongoing trends. Commoditisation of hope is a trend.

A different type of credibility deficit exists in India with organisations considered close to political elites. Any of their positions or actions on social issues risk being seen as unsolicited attempts to influence policies to benefit them and not necessarily other stakeholders. Facebook's Free Basics in India campaign is a perfect example of such credibility handicap.

Ulterior motives

It's fair for corporations to expect activism to benefit their business goals, but not as a primary objective, and certainly not if it is obvious. Facebook's failed campaign against net neutrality in India has many such lessons. The case study that follows has extracts from Rahul Bhatia's report for the Guardian, which I highly recommend for insights into what he labelled as the "biggest stumbling block the company had hit in its 12-year-history".

Facebook projects 30 percent of their global userbase to come from India within this decade. In 2016, they decided to bring to India Internet.org with the stated goal to provide free access to basic internet services to millions of Indians. Prima facie it was an altruistic effort. Bundled amongst useful websites and apps was Facebook as the only social network. Nikhil Pahwa, the architect of the activist movement against Free Basics, summed it up: "What Zuckerberg means by internet for all, is essentially Facebook for all, along with a few non-profit services thrown in to give it the appearance of philanthropy". But it wasn't just the ulterior motive that led to its failure, it was how they were veiled.

Figure 2. A full page ad by Facebook in Deccan Herald, December 2015. (Facebook 2015)

From the outset, the effort was based on little understanding of regulatory, civil societal and consumer minsets, and instead went overboard on bells and whistles.

In the early days of its launch in India, Zuckerberg took a chopper ride to a village and chaired an orchestrated meeting with locals to understand their internet usage habits. He travelled to New Delhi to a warm reception from politicians who were eager to appear progressive by association, a planned press conference and India media which, as Bhatia put it, "churned out puff pieces about Facebook's noble plans to get millions of Indians online".

The joyride ended as technology activists and journalists started paying attention to the fine print of Internet.org and started asking real questions. When Indian regulatory authorities consulted the general public for new regulations around net neutrality, Facebook doubled down with bombardment of advertisements showing various manifestations of what free internet would do for a variety of people. India's online community retorted with brutally honest translations of those ads, just one of the ways that the tech activists in India fought back.

Figure 3. A satire of Facebook's ad posted on Reedit by user 'snorlaxusedrest'. (snorlaxusedrest 2015)

Ultimately the clandestine nature of Facebook's tactics, and the perception of a global goliath trying to throw their weight around a third world market whose levels of awareness they underestimated, did not go down well. It did not hide their ulterior motive, and ultimately honest and focussed activism by the technology activists triumphed.

Walking the talk

The term Greenwashing was coined by environmentalist Jay Westervelt over 30 years ago to describe corporate practice of making exaggerated claims to make themselves seem environmentally friendlier than they really are. It was demonstrated extensively in the 1980s by Chevron, who showcased their employees protecting flora and fauna around them, in a campaign titled People Do (Watson 2016). It took years for people to realise that the company had done more harm than good. Pinkwashing, a term coined more recently, refers to a similar practice by organisations to appear to work for LGBT rights. As Radhika Radhakrishnan, AI policy research at Centre for Internet and Society put it (Radhakrishnan 2019):

> *"Pinkwashed marketing campaigns fuel people's social conscience and let them feel good about their consumer choices without actually having to change anything about their lifestyles or sacrifice anything for the cause — it makes 'activism' convenient by lowering the standard for what constitutes activism in the first place."*

It is much tougher than before to run on rhetoric in the connected age we live today. Stakeholders will appreciate organisations taking a stand on issues, as much and as rapidly as they will hold them accountable to tangible action on those issues.

In September 2018, the Supreme Court of India struck down Section 377 of the Indian Constitution, decriminalising same sex relationships. Immediately thereafter, several brands unleashed their show of solidarity to the LGBT community. But several audiences questioned these organisations on their commitment beyond marketing gimmicks. Zomato too had joined the bandwagon. But it was soon revealed that the company had failed to conducted workshops to sensitise employees on sexual harassment.

Stakeholders do not have unrealistic expectations from organisations to act on their stands, but they do expect action and for them to walk the talk. It could range from throwing their weight around to ensure their supply chain complies to ethical norms or having their chief spokespersons to keep the conversation going for policy change.

Figure 4. Image Tweeted by Zomato as support for decriminalisation of same sex relationships (Zomato 2018)

Collateral damage

Large corporations are in unique positions of power to influence behaviour of members of their value chain, but that comes with a price. When any member of a value chain decides to recalibrate their position on a certain way of doing business, it has a ripple effect. For instance, Indian manufacturing sector thrives on availability of cheap skilled labour, and therefore conversations about better labour laws are double edged swords.

Tata Nano Singur Controversy caused such a collateral damage. In 2008, Tata Sons pulled the plug on their original manufacturing site for the world's cheapest car due to political unrest and allegations of corruption. Their intention was to stay consistent with their reputation of air-tight corporate governance. However, the move meant that hundreds of jobs and valuable income to the state were lost (Bommakanti 2016).

Repercussion

India's financial capital, the city of Mumbai is nicknamed the Maximum City – as everything from living spaces to public transport is stretched to its capacity here. Historically, the city's municipal corporation, BMC, has been underprepared for the Monsoon rains. This was the theme of a satire video created and aired by one of Mumbai's most popular radio jockeys, Malishka Mendonsa. Though it stirred up controversy, the radio channel stood by her and the message. Unsurprisingly, BMC did not approve of it and threatened to sue her for defamation, but it did not end there. A few days later the body issued a notice to her the RJ Malishka's mother, for a health violation at her house. BMC claimed the violation was found in a "routine survey" (Venkatraman 2017).

It's a small example of how taking a stand against authorities can have swift vindictive repercussions. Its threat is real, as the power of state and central authoritie continues to be high. Just like Maximum City, the Indian bureaucracy is stretched and can be sensitive to criticism. So, organisations must tread cautiously. Certain high-profile CEOs who are otherwise vocal on a variety of issues are extra cautious not to antagonise authorities. I reside in Mumbai, and I certainly hope that this article is not read by anyone at BMC.

Conclusion

As a consequence of the aforementioned risks, many efforts in corporate activism end up as being safe commentary on broad issues, instead of taking hard stance followed through with action. It boils down to erring on the side of caution and having strong counsel on your side. A superficial understanding of Indian ecosystem is not enough and a deep dive is necessary, which incorporates the diversity

in thoughts and motivations. The ecosystem is also fast changing. It pays for organisations, especially those thinking long term, to establish a strong foundation based on clear understanding of their vision, and actions they take to be consistent with their philosophies.

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