

# Becoming a CSR Leader

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Oil India Limited, a leading E&P company engaged in exploration & production of oil and gas in India, working for years to develop the community where it operates. Over the years, it is investing more and more on Corporate Social Responsibility (CSR) budget. But demand from different sections of community is increasing day by day and there is a pressure to invest more and more. Being a company engaged in exploration and production of hydrocarbon, its' major activities directly affect the community and company has also taken numbers of initiatives to minimize the affects. However demand from the stakeholders is increasing and the company is finding it difficult to manage growing demands and promoting its own community development plan. It is affecting the company's activities as a result company's overall performance in terms of productivity is also going down. How to come out of this situation? This article is about the journey of OIL to come out of this situation to become a CSR leader by creating a vision, generating commitment to realize vision, developing strategies, adopting socially responsible business practices, fostering individual responsibility and involving employees at each and every stage of becoming a CSR leader.

"The most significant impediment to the growth of corporate virtue is a dearth of vision among business leaders. Opportunities abound to devise programs and processes that benefit society as they enrich shareholders. What seems lacking is imagination and intrinsic motivation on the part of the corporations and executives."

-Roger L. Martin

## **The legacy of the Indian oil industry and OIL**

The story of oil exploration in Indian shores starts at the beginning of the 19<sup>th</sup> century in the steamy jungles of Upper Assam. It recounts the valiant efforts of individuals and organizations to find oil under conditions of extreme physical hardship. Soon after Edwin L Drake drilled the world's first oil well in 1859 at Titusville, Pennsylvania, USA, the efforts of the pioneering oilmen climaxed in the discovery of the Digboi oil Field in 1889, which passed into the hands of the **Burmah Oil Company Ltd. (BOC) in 1921 and to Oil India Ltd (OIL) in 1981.**

Oil India Private Ltd. was incorporated on February 18, 1959 for the purpose of development and production of the discovered prospects of Nahorkatiya and Moran and to increase the pace of exploration in the Northeast India. It was registered as a Rupee Company with two-third shares owned by AOC / BOC and one-third by the Government of India (GOI). By a subsequent agreement on 27th July, 1961, GOI and BOC transformed OIL to a Joint Venture Company (JVC) with equal partnership.

OIL remained a Joint Venture Company for over two decades. On 14th October 1981 Oil India Limited (OIL) became a wholly owned Government of India enterprise by taking over BOC's 50% equity and the management of Digboi oilfields changed hands from the erstwhile AOC to OIL. A premier National oil company, OIL today is engaged in the business of Exploration, Production and Transportation of Crude Oil and Natural Gas from defined concessional areas in Upper Assam and Arunachal Pradesh and parts of eastern, northern and western India.

The authorized and paid up capital of the company as on 31<sup>st</sup> March 2006 are Rs.2500 Million ( USD 50 Million) and Rs. 2140 Million ( USD 42.8 Million) respectively with 98.13% holding by the Government of India and 1.87 % by the employees and others. The net worth of the company as on 31<sup>st</sup> March 2006 is Rs 5848.30 Million (USD 146.20 Million)

OIL is having over 100,000 Sq. Km. of PEL/ML areas for its exploration & production activities. Majority of OIL's activities is being taken up in the North East from where it's entire crude oil production and majority of gas production is coming. Rajasthan is the other producing area of OIL from where it is producing 10% of its total gas production. The Company's exploration activities are spread over offshore areas of Saurashtra, onshore areas of Ganga Valley & Mahanadi in addition to its onshore areas in North East and Rajasthan. OIL also has participation interest in NELP exploration blocks in Mahanadi Offshore, Mumbai deep water, Krishna Godavari deep water etc in partnership.

Oil India has identified acquisition of overseas exploration and production ventures as an essential requirement for fast growth. The Company already has participating interests in various overseas projects, such as, in Iran, Cote d'Ivoire, and Sudan. It has recently formed a 50:50 strategic alliance with Indian Oil Corporation Limited (IOC) to jointly pursue exploration and production opportunities abroad and to achieve synergy in the downstream sector. This consortium has achieved a major breakthrough in its maiden attempt by winning two Blocks in the highly prospective Sirte Basin in Libya with Oil India as operator, against competitive bidding.

In recent years, OIL has stepped up E & P activities significantly including Gas monetization in the North-East India. After entering into an agreement to supply gas to Numaligarh Refinery Ltd., OIL has already undertaken steps to transport gas to Guwahati city from its fields in Upper Assam

The Company operates a crude oil pipeline in the North East for transportation of crude oil produced by both OIL and ONGCL in the region to feed Numaligarh, Guwahati, Bongaigaon and Barauni refineries and a branch line to feed Digboi refinery. The Company is currently in the process of constructing a 660 KM long Product Pipeline from Numaligarh to Siliguri. The Pipeline, when commissioned in early 2006, is expected to solve the product evacuation problem of the modern and state-of-the-art Numaligarh Refinery. OIL also sells its produced gas to different customers in Assam viz. BVFCL, ASEB, NEEPCO, IOC (AOD), and APL and to RSEB in Rajasthan. The company also produces Liquefied Gas (LPG) in its plant at Duliajan, Assam.

After restructuring into Strategic Business Units, OIL has also ventured into offering rig package, expertise and services in E & P sector and signed a contract with Premier Oil, a company registered in Netherlands, for drilling of a well in their Jaipur

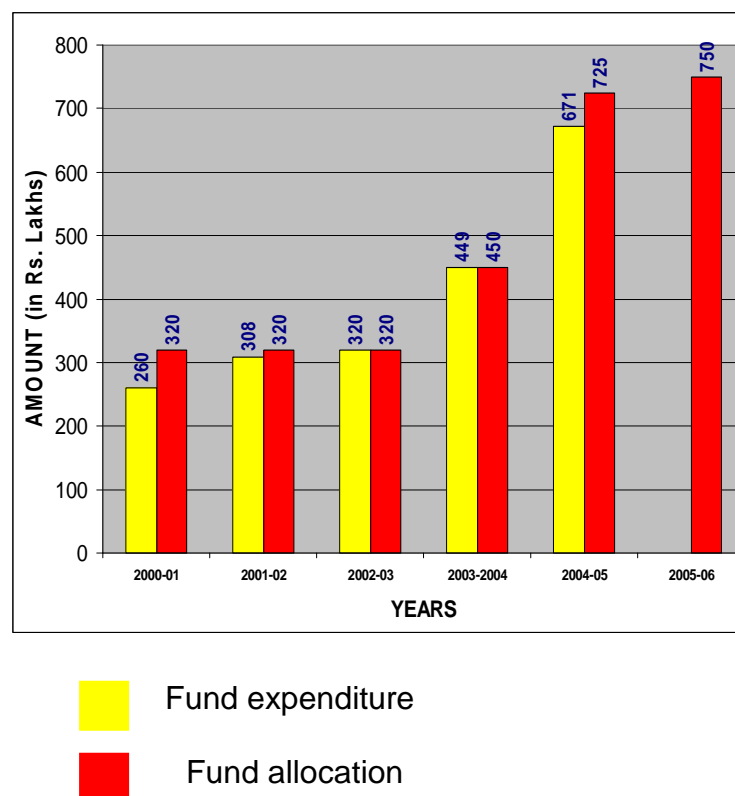
block in Assam. OIL has also carried out Work-Over jobs for Great Eastern Energy Corporation Limited's Coal Bed Methane wells.

**In a recent CRISIL-India Today survey, OIL was earmarked as one of the five best major PSU and one of three best energy sector PSU in the country.**

The Company is a "Schedule A" company under the Ministry of Petroleum and Natural Gas, Government of India. Although her entry into the public sector is just couple of years away from a silver jubilee celebration, the roots of her experience stretch back through antecedent Companies to the beginning of the last century. In the bloodstream of OIL runs the courage and daring and professional integrity of the early pioneers. OIL is conscious of the tremendous responsibility thrust upon them by an oil-starved nation. If the company's past is any index, she can be trusted to give her best in not only fulfilling this responsibility in the future but also living up to the expectations of the poor, underprivileged and needy people residing in the company's operational areas.

Despite overwhelming concern to find more oil, OIL has always given top priority towards upliftment of the less privileged sections of the society in which it operates. It is this twin objective of business and social commitment that has prompted OIL to embark upon massive programmes of educational, medical and infrastructural development endeavors.

A glance at fund allocation and expenditure on CSR initiatives



Over the years OIL is investing more and more on CSR activities and the amount is shown in the above figure. At the same time demand from different section is also increasing. Company has initiated number of projects to take care of community

development. To name a few, Project called “ Project Rupantar” is launched to address the growing problem of unemployment and poverty for creating self-employment avenues and promoting entrepreneurship in the region to generate sustainable sources of livelihood. Company is also increasing frequency of sending mobile dispensary to remote villages where infrastructure for taking care of health of community is not there. OIL has won the prestigious TERI CSR award for the year 2003-04 and the Golden Peacock CSR award for the year 2002.

Despite these massive initiatives, company’s major activities like exploration, drilling and production are affected due to interruption by some section of community. Why is it happening? Is it because of growing demand of community or any other reason?

At the same time we it is also observed that productivity of the company has not increased over the years although manpower has increased in manifold. Why is it happening?

To reflect and to find out ways to come out of this situation, senior leaders sat together in the month of December, 2003 and co created vision for the company. Vision is captured in five domains, financials and quantifiable, customer orientation, core values, work environment and other stake holders. Under the other stakeholders, aspiration about the corporate social responsibility is captured. After a lot of deliberations, CSR aspect of the vision is articulated as **“Oil India is a responsible corporate citizen deeply committed to socio-economic development in its areas of operations.”** After co creation, leaders engaged in several round of dialogue to arrive at common meaning of the vision statement. For example, what do we mean by “responsible corporate citizen”, “socio-economic development”, “operational areas” etc. During the vision conversation new meaning evolved and realization came that without commitment of leaders and involvement of employees at various levels, it is not possible to realize the vision. Numbers of steps were followed to generate commitment and involvement.

**First**, a cross functional team comprising members from different discipline including members accountable for implementation was formed to develop the broad strategy under the guidance of Vision champion whose responsibility was to ensure that actions are taken to realize vision. Knowing that understanding of vision is the prerequisite for developing action plans, focus was given on arriving at the common meaning of the vision statement. As a result of in depth study and deliberation amongst team members new meaning and different ways of looking at CSR evolved. Realization came that CSR is not separate activities; it is an integral part of the company’s business. It is an investment not mere philanthropy. As a corporate citizen, company needs to work within legal framework and obey the laws of land and also needs to maintain high ethical and morale conduct in business. There should be scope for innovation in choosing and implementing CSR initiatives. CSR initiatives are to be strategically chosen, designed and implemented in such a way it becomes different than that of what others are doing. It is difficult to measure the return on investment directly but the company gets benefited by enhanced motivation level of the employees, good relationship with community and company image. Ultimately it should create value for both shareholders and society.

The team visited leading companies like Tata Sons, ICICI Social Initiatives Group, ITC, NTPC to know about their philosophy and initiatives they had taken under corporate social responsibility and results they were getting. The sole purpose of the

visit was to be aware about socially responsible best practices and taking these inputs to develop a strategy to become a leading company in CSR front.

**Second**, Gaining knowledge on CSR the team organized dialogue with employees from different disciplines. In the dialogue, employees were encouraged to offer their views and new perspectives on CSR and vision statement. In one dialogue, twenty to twenty five people participated. To involve more and more people, numbers of dialogue were conducted. Nearly sixty to seventy percent of employees were involved in the dialogue. At the end of this process of vision sharing, Oil India Limited perceives Corporate Social Responsibility in the form of following statements:

- **“Social responsibility of business encompasses the *economic, legal, ethical, and discretionary expectations* that society has of organizations at a given point in time”**
- **“Corporate Social Responsibility (CSR) is a commitment to improve community well being through discretionary business practices and contributions of corporate resources.”**

--- Discretionary refers to a voluntary commitment OIL makes in choosing and implementing these practices and making these contributions. Such a commitment must be demonstrated in order for OIL to be described as a socially responsible and will be fulfilled through the adoption of new business practices and/or contributions, either monetary or non monetary.

--- Community well being includes human conditions as well as environmental issues. OIL also accepts the definition of World business council for sustainable development, which describes CSR as:

- **“Business commitment to contribute to sustainable economic development, working with their families, local community and society at large to improve their quality of life.”**

Taking input from employees, business practitioners and literatures, following meaning is attached the vision.

**OIL is a Responsible Corporate Citizen which operates in a legal, ethical and economic environment, committed towards the society, to contribute to sustainable socio-economic development in its areas of operation for the community, employees and their families, shareholders, customers, suppliers and other stakeholders in ways that enhance the value for both the business and society.**

**The word “Socio-Economic Development”** encompasses the areas like Education, Health, Enhancing Employability and Generating Self Employment through Micro Entrepreneurship, Infrastructure Development and Promotion of Culture and Heritage.

**At this stage**, awareness on company’s vision, concept and best practices of CSR was created across the organization.

**Third**, the team conducted dialogue sessions with the random groups to assess the current reality in relation to vision. Lots of heated discussion took place while finding

out the areas of improvement. The gap between vision and current reality became clear and people became aware about the areas that need special attention. Communication with employees and community, involvement of employees in CSR initiatives, proper planning and execution, structured policy became areas of concern for all. Need for focusing on one or two major CSR initiatives arose. Knowing the best practices and seeing current reality, employees started pondering over how to choose, monitor, implement and evaluate a CSR initiative.

At this stage need for change in mindset and business practices felt across the organization and energy for taking action to realize vision was generated. People started saying “we need to be more proactive”. “Our initiatives are to be need based not demand based”. “All of us have a role in CSR. It is not a few people’s jobs”. “We need to volunteer for CSR initiatives.” “Our responsibility is not limited to fulfilling obligations, it should go beyond it.”

**Fourth, Strategy in the name of Broad Action Plan has been prepared at this stage. Alternative solutions were generated. Oil India should work alone or collaborate with others? Whom should we focus? Who are the target beneficiaries? Where should we invest? In any area that lead to improving quality of life or a few areas? All these issues were discussed in threadbare and arrived at the consensus “Oil India will work proactively - alone or in partnership with other organizations - to mobilize core competencies and resources on significant long term visible **Community Development** projects in its operational areas with special focus on youth and women.” It will undertake a few major CSR projects on areas like **Education, Health and Enhancing Employability.****

Selection of social cause and initiatives has the major impact on subsequent programs and outcomes and selection process was the major concern for long time. Many challenges need to overcome at this stage. Following screening questions were adopted as guidelines.

1. How does this support the OIL’s vision?
2. How big a social problem is this?
3. Is government or someone else handling this?
4. What will our shareholders think of OIL’s involvement in this cause?
5. Will our employees be inspired if we support this cause/initiative?
6. Will this initiative/cause backfire on us?
7. How can we do this without distracting us from our core business?
8. How will this cause/initiative enhance corporate image?
9. Will it help in creating community goodwill?
10. Will it help in building and securing a strong brand position?
11. Does it have impact on social cause/issues in local community?

Emphasis is also given on Need Assessment Survey. Outcomes of need assessment surveys are also taken as a basis for community development plan. Need for social auditing also felt at this stage for evaluation of impact and planning corrective action for any CSR initiatives.

A written corporate guideline in the form of “CSR policy” has been formulated taking input from the learning that generated at each stage. The policy is now providing basis for decision on CSR initiatives. The policy describes the following decisions:

- Priority social issues to support.
- Desired business outcomes from support of social initiatives.
- Guidelines for determining levels of contribution.
- Preferred types of giving. (Cash versus in –kind donations versus volunteering.)

- Ideal community partners
- Internal and external communication plan
- Plans for evaluation and reporting

- Philosophy regarding corporate social responsibility
- Who will initiate, plan, implement and evaluate CSR initiatives

The policy was shared with people at various levels before adopting as a corporate guideline.

As a result of the whole exercise, company as a whole is clear about where and how to mobilize corporate resources for community development. It has become integral part of business as it is one aspect of company's vision. Employees at grass root level also discuss about strategies that to be followed for initiating, designing and implementing CSR initiatives. It is not preserve of board room now.

OIL engaged M/s Enterprise Group, New Delhi, a professional agency to carry out a social audit of the Company's CSR projects/initiatives to assess the impact and public perception of the same. The Community Audit which was one of the first of its kind that conducted in OIL has provided significant insights to OIL management for preparing a comprehensive policy on the Company's Corporate Social Responsibility. The following are some of the key findings of the audit:

### **Community responses to initiatives:**

- Mobile dispensary program ranks as one of the most 'useful' OIL initiatives.
- Self Help Group (SHG) schemes of OIL and SIRD (State Institute of Rural Development) the current 'favourite'
- Schools, colleges or cultural centers draw high community involvement

### **OIL's CSR initiatives based on the Social Audit report**

- Mobile Dispensary Services extended to newer areas and the frequency is increased
- OIL-SIRD (Project Rupantar) project given top priority
- More proactive dialogue with the target beneficiaries for need identification and prioritization
- Sharing of information with the people on matters like CSR budget allocation/resource mobilization/operational constraints etc.

Employees are encouraged to involve in community development programs. Company is also supporting community development program done by NGO like Lions Club, Rotary Club etc. to name a few, OIL is encouraging employees to be members of national and international organizations and sponsoring membership. OIL is conducting General Nursing Midwifery (GNM) training in OIL Hospital, Duliajan.

Dialogue with target beneficiaries and facilitators like government, other PSUs and NGO are taking place for need identification and prioritization. Target beneficiaries are also coming forward to involve in the implementation process.

Employees are aware about their role and mindset have changed from reactive to proactive, short term to long term, fulfilling obligation to strategy. With this new mindset and business practices, company has started its' journey to become a CSR leader.

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