

*Full Length Research Paper*

# **Corporate social responsibility and SMEs: exploratory study on dynamics of corporate and stakeholders perspective in Sports Goods Industry Meerut.**

**Ruchi Tyagi**

Head, School of Management, RGGI; Mahamaya Technical University, Meerut.

Email: [csractivist@yahoo.co.uk](mailto:csractivist@yahoo.co.uk)

## **Abstract**

**Business is increasingly forming societal values and norms and defining public policy and practice. With raising awareness business are requested by their customers, clients, shareholders and other parties of interest to account for their activities on the global scale in a transparent way. The whole issue of socially responsible business is based on the premise that companies have the right to choose. In this context there is a need to distinguish between philanthropy and compliance to labor and environmental standards. The adoption of standards may be either voluntary or compulsory in a given social, political and economic environment. The codes on labor standards developed by FIFA and the World Federation of Sporting Goods Industries (WFSGI), which are based on the relevant ILO conventions, look for creating a level playing field for all the traders of sporting goods in the international market. FIFA in its license agreements with companies has included a clause on child labour prohibition, as well as the broader model code of conduct of the WFSGI and the ILO declaration on "Fundamental Principles and Rights" at Work. The past reports on Sports goods industry by Christian aid society in collaboration with South Asian coalition against child servitude 1997 highlighting the situation of working children in Jalandhar and Meerut based SGI, world cup 2002 global march to protest on the use of child labour in the sports goods industry, and the study funded by ILO-IPEC and FICCI in 1998 on Jalandhar (football) are suggestive of –that 'passing the responsibility is no longer an option'. How the SGI Meerut defines Corporate Responsibility? What initiatives it is taking for being socially responsible? Does the industry have achieved a balance in its economical, environmental and ecological dimensions or the triple bottom line? Is SGI Meerut managing business processes to add social, environmental and economical value in order to produce a positive sustainable impact for both society and the business? What is the tendency of business involvement in societal issues (in context to SGI Meerut)? What is the role of business in society (in context to SGI Meerut)? Do the tendency and role of business toward society have congruence when compared and also is it affected by the ownership patterns? CSR is dependent on which elements in SGI Meerut? Is SGI Meerut aware of the fact that there is a need to distinguish between philanthropy and compliance to labour and environmental standards? Does the SGI Meerut have developed strategies for CSR?**

**Keywords:** Corporate Social Responsibility, small to medium-sized enterprises, stakeholders, sports goods industry Meerut.

## **Introduction**

As globalization and its consequences continue apace, interest in civil society and business revitalization for different world regions and cultures appears to be

increasing therefore at this stage it is necessary to frame policies at both the macro and micro level keeping the interest of the stakeholders in consideration constituting a

framework for action on business's ability to mobilize for the purpose of making intelligent, effective use of the available. As costs and value are major concerns in asking small businesses to make a difference. Though creative business strategies can offer new opportunities for small businesses to realize efficiency through collaboration. For example, powerful networks of SMEs can work together to achieve scale efficiencies, while simultaneously practicing responsibility. The potential of SMEs (Small- and Medium-sized Enterprises) is argued by their numbers: 93% of all European enterprises have less than 10 people; two-thirds of all jobs are in small business-which continues to grow, in contrast to large enterprises. The numbers are lower, yet still significant, on the other side of the pond: The U.S. has 49% of its workforce employed in small business, (which produced 13 times more U.S. patents per employee than large firms in 2003). The emerging giants of the world economy are no less important, although heavily reliant on a top-down approach with large amounts of Foreign Direct Investment; Chinese SMEs produce 65% of patents and 80% of new products. With the rapidly developing infrastructures in the billion-people economies of China and India.

### **Purpose**

This paper purposes to develop an understanding of Corporate Social Responsibility perspective within the operations of SGI in Meerut and to find which of the groups influence business decisions regarding corporate responsibility, and also to investigate as to why (motivation) these groups and how (process) the SGI's in Meerut reconcile the conflicting voices of different stakeholders in order to examine the corporate and stakeholder dynamics.

### **Design/ Methodology/Approach**

The approach of study is to focus on understanding, interpretation and discovery rather than trying a hypothesis; The researcher has taken mixed methods (quantitative and qualitative analyses) to achieve the objectives of her study; A list of sports goods manufacturers in Meerut was procured from the Federation of sports goods manufacturers .The total number of manufacturers as per the list was 356. With the help of simple random sampling technique 50 were selected for pilot study and from the remaining 306 a sample of 100 manufacturers was drawn with the help of simple random sampling technique. These hundred were contacted for obtaining the required information with the help of seven structured interview schedules. The collected data is than tabulated and analyzed. The sample profile of the corporate respondents is sum-

marized in under mentioned in Table 1.

From the sample profile of the respondents three variables appeared to be more significantly associated with the objectives of the study- the ownership patterns, experience and customer location. The ownership patterns show proprietorship in eighty percent of the cases and partnership in twenty percent cases. It is also seen that half the industry under sample were established up to 1987 and half after 1987. The seventy six percent cases are catering the domestic customers only while the domestic and international customers are catered by twenty four percent cases. The industry had only 44 female employees in comparison to 2658 male employees. With the help of another two interview schedule the CSR perspective of these respondents was collected; And also information is collected as which interest groups they identify as stakeholders and why, how do they reconcile them. These respondents identified nine stakeholders- customers, suppliers, competitors, governments, partners, communities, owners, investors, labor and/ employees. Then these stakeholders were interviewed to find out the CSR perspective and their needs and expectations from corporate to examine the corporate and stakeholder dynamics.

### **Literature Review**

Corporate Social Responsibility(CSR) is important for Small- and Medium-sized Enterprises: The developments during the last two decades have changed the contours of what is acceptable to the society in context of International trade (McCrudden, 2007). The social responsibility has grown to be a commonly debated issue that has attracted considerable media attention during the last decade (Zadek, 2001). The benefit or harm of products and services, their environmental impact and the producers/providers relationship with the workforce and with local communities are open to scrutiny especially since last six-seven years (Mark and Schantz, 2007). The Indian sports goods industry is a labor intensive industry, with many of the units falling under the purview of small scale manufacturing units (SGEPC, 2006). Indian sports goods are being exported to more than 100 countries. The major manufacturing centers of the Industry in India are in and around the following cities- Jalandhar, Meerut, Delhi, Mumbai, Calcutta, Chennai (SGMF, 2004). Jalandhar is the major centre of India's sports goods industry, Meerut in Uttar Pradesh is the second and Gurgaon in Haryana is the third (India Committee of Netherlands, 2000). The SGI in India is an important provider of employment and a significant foreign exchange earner. However, the industry has been troubled by widespread reports in media within and outside the country .In 1995 the first reports appeared in newspapers about the large scale use of child labor and

Table 1

YEAR	DETAILS
2006-07	The total export from SGI was of Rs. 509.46 crore and the contribution of SGI Meerut was of Rs 126.17 crore.
2005-06	The total export from SGI was of Rs. 456.97 crore and the contribution of SGI Meerut was of Rs 100.60 crore.
2002-03	The total export from SGI was of Rs. 342.30 crore and the contribution of SGI Meerut was of Rs 100 crore.
1980	Export was mainly started from Meerut based units.
1972	India Trade Promotion Organization was established.
1970	Several units were started in Meerut.
1950-60	SGI Meerut started manufacturing items like- sports hosiery, anklets, kneecaps etc.
1953	Pratap Singh, the Chief Minister of Punjab offered more facilities, many manufacturers shifted from Meerut to Punjab.
1950	Federation of Sports Goods Manufacturers started under All India Sports Goods Manufacturer Federation.
1949	SGI in Meerut started in an unorganized way by 6 people (out of these 4 were from Sialkot & Rawalpindi).
1935-49	Meena families of Rajasthan (India) manufacturing football after partition of the country shifted to Meerut. The SGI was established in Meerut in 1947-50 as a cottage industry .In 1980 there were about 1000 industrial units, out of which 415 units were registered as cottage industry, manufacturing about 318 items. Among the thousand units thirty were engaged in export business

exploitation of adults in the football industry of Sialkot, Pakistan. Later it was found that same problem exists in India (Husselbee, 2000; Global march, 2004). For example, 'By the Sweat and Toil of Children' highlighted the problems of working children in the sports goods industry followed by the report of Christian Aid Society, a U.K based NGO and South Asian Coalition Against Child Servitude highlighted the situation of working children in the Jalandhar and Meerut based sports goods industry in 1997. As a result these reports evoked social concern and distress while the industry feared a setback in exports due to adverse publicity.

In recent years, corporations are facing increased CSR expectations from their societal environment; the consumers, investors, community members and potential employees seek and demand information on corporation's social performance on the global scale in a transparent way (Gillis and Spring, 2001; Michael, 2003; Mbare, 2004; Balmer and Greysner, 2006; Whitehouse, 2006). The electronic media has fostered web-based exchange through which companies make information's available to the public. CSR Communication is a way to create a bond between the company and its stakeholders through corporate home page, the annual report, or sustainability report (Maignan and Ferrell, 2004; Mark and Schantz, 2007). For example, the web page of Delhi based SGEPC states that, 'Issues of welfare and corporate social responsibility have been given prime

importance by the sports goods industry of India' (<http://www.sportsgoodsindia.in>, 2007). The business for profit only loses the confidence and trust of consumers, work force, state and the reputation may be badly hurt if unethical behavior is revealed.

SMEs are the mainstay of developing economies, particularly in terms of employment and development impacts (UNIDO, 2002). The labor intensity in the SMEs is estimated to be almost four times higher than the large enterprises (MSME, 2008). The European Observatory of SMEs states that most small company implementation of CSR is done on an occasional basis, and not tied to business strategy. And of course, a big step in this approach is making CSR a major part of the core decision-making process at senior levels. SMEs are the mainstay of developing economies, particularly in terms of employment and development impacts. In many sectors, their cumulative social and environmental impacts are greater than those of large enterprises. SMEs are particularly important in supporting economic growth and livelihoods in developing countries, because they (inter alia) : tend to use more labor-intensive production processes than large enterprises, boosting employment and leading to more equitable income distribution; provide livelihood opportunities through simple, value-adding processing activities in agriculturally-based economies; nurture entrepreneurship; and support the building up of systemic

productive capacities and the creation of resilient economic systems, through linkages between small and large enterprises . With the rapidly developing infrastructures in the billion-people economies of China and India, there is a need to ensure that they are being built bottom-up in the right way, to provide responsible resource consumption solutions on the system level. Indian sports goods industry, is a labour intensive industry, with many of the units falling under the purview of small scale manufacturing units, providing employment to the weaker sections of the society as well as to a large number of women .The exports of sports goods is more to the developed countries therefore it becomes important for the industry to encourage the use of specified code of conduct as an evolving global consciousness on ethical and social concerns besides product development, innovation, marketing and promotion as suggested by the export promotion council in its forty ninth annual report.

**Genesis of Sports Goods Industry (SGI) in India:** The origin of the Sports Goods Industry in India can be traced back to Sialkot (now in Pakistan), the sports goods production centre in pre-partition days. The Industry was founded by Sardar Bahadur, Sardar Gainsa Singh Oberoi in the year 1883 on 13th April at Sialkot .The credit to establish this industry in India goes to Sardar Gainsa Singh Proprietor M/S Oberoi Ltd, Sialkot (Pakistan), he has taken the knowledge of this industry from entrepreneurs of Europe and started manufacturing sports goods, for this he imported machinery and other essential items from England, this inspired other entrepreneurs and thus Sialkot became centre of sports goods . The items taken for manufacturing passage in the beginning were tennis, footballs, cricket bats, balls and field hockey, with of time new items were added and industry at Sialkot progressed, until the division of the country checked the boom .When India was partitioned in 1947, many of Sialkot's skilled Hindu craftsmen migrated across the border into Punjab, settling in Jalandhar and Meerut . The Sport Goods Industry was well established in its modern shape in the beginning of the 20th century.

**Brief Genesis of Sports Goods Industry (SGI), Meerut:** Meerut town is in Northwestern Uttar Pradesh state of India and lays Northeast of Delhi, the capital of India. It lies in between the river Ganga and Yamuna. About three- four sports goods manufacturing units were functional in Meerut even before partition; these units were manufacturing products like footballs, net and balls etc. The development of the sports goods industry of Meerut is summarized as in table 2

**The Present Status of Sports Goods Industry (SGI), Meerut :** Indian sports goods are being exported to the

more than 100 countries. The major manufacturing centers of the Industry in India are in and around the following cities: Jalandhar, Meerut, Delhi, Mumbai, Calcutta and Chennai .

### Research Limitations

The researcher is not intending to measure the present status of the industry but she is merely focusing on their status pertaining to the awareness of CSR and incorporating it into the business practices .She has confined only to the owners and managers of the industry for the focus of selection of population for the data. To explore the dynamics of stakeholder needs, stakeholders would be included in the subject population, after being identified. The sites to be visited were selected based on the premises that they are not mere traders of sports goods but also manufacturer's. These manufacturers are not separated on the basis of products they are manufacturing. Besides this poor database is also a constraint to present work. The complete information for the small sector is not available with the SIDO and CSO, the two major sources of information on small sector. Also the estimates worked out by SIDO every year are subject to limitations, being based on partial returns (Misra and Puri, 2006).Therefore for the purpose of present work, the researcher has taken information from the Federation of Sports Goods Manufacturers, Meerut and Sports Goods Export Promotion Council, New Delhi. Further the Concept of CSR is still developing. It is only in the last decade that businesses have begun to exhibit serious evidence of CSR in their strategic management and stakeholder social reporting (Williams and Aguilera, 2006). CSR as a research area still lacks a 'common ground' especially on the social and environmental responsibilities of business towards society (Ougaard and Nielsen, 2002). The field of empirical CSR research generally has been hampered by the lack of a consistent definition of the construct of CSR, as well as its operationalization and measurement (Morimoto et al., 2004; McWilliams et al., 2006; Rodriguez et al., 2006). The study has been delimited to SGI of Meerut because of limitations of time and resources of the researcher. Besides it, adequately serves her purpose.

### Findings

Both the parties affirm that sincere commitments to CSR notions need to be exercised in business. But the mutual interaction in cordial and congenial social environment is manifestly neglected. There is neither any institutionalized mechanism of consultation and participation into decision making process, nor any strategy to incorporate stakeholders concerns in the

Table 2.

<b>VARIABLE</b>			
Item	Percentage	Item	Percentage
<b>TYPE</b>			
Executive/Director/Owner	80	Manager	03
Partner	12	No title provided	05
<b>EXPERIENCE</b>			
Units established up to 1987	50	Units established after 1987	50
<b>OWNERSHIP</b>			
Proprietorship	80	Partnership	20
<b>EMPLOYEES</b>			
Up to 10 employees	74	Above 10 employees	26
<b>EMPLOYEES GENDER</b>			
Male employees	2658	Female employees	44
<b>TURNOVER</b>			
Up to 50 Lakh	68	Above 50 Lakh	32
<b>CUSTOMERS</b>			
Catering customers within India only	74	Catering customers within and outside India	26
<b>PRIMARY REASONS FOR ESTABLISHING INDUSTRY IN MEERUT</b>			
Labor efficiency	53	Partition	16
Transport	17	Parental business / localite	14
<b>PRIMARY REASONS FOR CHOOSING SPORTS SECTOR</b>			
Sports hub / Sport city	48	Less investment and availability of opportunities	13
Sportsman / Interest in sports	03	Parental business /inherited/localite	29
Partition			07

(N=100)

business process of growth. Of course both the sectors avoid conflict creating situations in their own interests. But there is no positive approach to gratify or even identify the problems of stakeholders.

The corporate in SGI Meerut verbalize the awareness and necessity of incorporating CSR concerns in business yet nothing serious is being done in this direction.

### Theoretical Implications

An intellectual debate is needed to develop this concept for SMEs and address such concerns in this category of industries. The researcher has also arrived at a working definition of CSR in SMEs. The findings of the paper provide a good understanding of SMEs and stakeholders need Dynamics for CSR, which will be helpful for policy-

makers.

### Operational Implications

Predominantly the classical view of maximizing profit and economic concerns of business prevail. The present study recommends for an intellectual debate to vitalize CSR concept in SMEs; institutionalized mechanism to develop a healthy interaction both for the comprehension of CSR, addressal and redressal of needs of various component sectors of this category of industries, particularly the stakeholders; attention to communicate human sensibilities pertaining to natural, social and environmental concerns of the mankind of all sectors engaged in industrial enterprises i.e. production, consumption, supply and sale; economic interests should not alone be given priority at the cost of social and environmental concerns.

### Conclusions

The SGI Meerut should take a context-specific, strategic, proactive and synergistic approach to define corporate responsibility (CR), in terms of the responsiveness of businesses to stakeholders' legal, ethical, social and environmental expectations, especially in the present environment of the globalization of trade, the rise in strategic importance of stakeholder relationships, knowledge and brand reputation, advances in communication and information technologies, and the emergence of ethical investment opportunities.

### Originality/Value

To the best of the authors' knowledge, this is among the first studies focusing on CSR in the SGI Meerut. Also, the exploratory qualitative approach of the paper can provide a better vision for future research.

### Abbreviations

**CSO** - Central Statistical Organization.

**CSR** - Corporate Social Responsibility.

**SIDO** - Small Industries Development Organization.

### References

Balmer J, Greysner S (2006), 'Corporate marketing integrating corporate identity, corporate branding, corporate communications, corporate image and corporate reputation', *European Journal of Marketing*, Vol. 40 No.7/8, pp. 730-741.

Gillis T, Spring N (2001). 'Doing Good is Good for Business', *Communication World*,18(6): 4-23.

Global March (2004). Background Paper on Child Labor in the football industry, available at <http://www.globalmarch.org/campaigns/worldcupcampaign/background%20paper.php>, assessed on 25/12/07.

Husselbee David (2000). 'NGOs as development partners to the corporate: child football stichers in Pakistan', *Development in practice*, 10:377-389.

India Committee of the Netherlands, (2000). 'Child and adult labor in India's football industry and the role of FIFA', available at <http://www.indianet.nl/iv.html>, assessed on August 2004.

Mark –Herbert C, Schantz C (2007). 'Communicating Corporate Social Responsibility – Brand management', *Electronic Journal of Business Ethics and Organization Studies*, Vol. 12 No. 2, pp. 4-11. Available at <http://ejbo.jyu.fi/>.

Maignan I, Ferrell OC (2001). 'Corporate citizenship as a marketing instrument: Concepts, evidence and research directions', *European Journal of Marketing*, 35(3/4): 457-484.

Mbare O (2004). 'The role of Corporate Social Responsibility (CSR) in the New Economy' *Electronic Journal of Business Ethics and Organization Studies*, Vol. 9 No. 1, available at [http://ejbo.jyu.fi/index.cgi?page=articles/0901\\_5](http://ejbo.jyu.fi/index.cgi?page=articles/0901_5).

Mccrudden Christopher (2007). 'Corporate Social Responsibility and Public Procurement', Working Paper No 9/2006, University of Oxford Faculty of Law Legal Studies Research Paper Series, April 2006, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=899686](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=899686), assessed on 21/3/2008.

McWilliams A, Siegel D, Wright P (2006). 'Corporate social responsibility: Strategic implications', *Journal of Management Studies*, 43, pp. 1-18.

Michael B (2003). 'Corporate social responsibility in international development: An overview and critique', *Corporate Social Responsibility and Environmental Management*, No.10, pp. 115-128.

Misra SK, Puri VK (2006), 'Economic Environment of Business', HPH, New Delhi, pp.571-585.

Morimoto R, Ash J, Hope C (2004). 'Corporate Social Responsibility audit: from theory to practice', Working Paper 14/2004, Research Papers in Management Studies, The Judge Institute of Management, Cambridge, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=670144](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=670144), assessed on 28/3/2008.

MSME Ministry of Micro, Small And Medium Enterprises (2008). 'Ministry of Micro, Small And Medium Enterprises', available at, [http://msme.gov.in/msme\\_aboutus.htm](http://msme.gov.in/msme_aboutus.htm), assessed on 10/03/2008.

Ougaard M, Nielsen ME (2002). 'Beyond Moralizing: Agendas and Inquiries in Corporate Social Responsibility'. Available at [http://www.cbs.dk/centres/cvr/pdf/morten\\_ougaard\\_beyond\\_moralizing.pdf](http://www.cbs.dk/centres/cvr/pdf/morten_ougaard_beyond_moralizing.pdf), assessed on 30/06/2004.

Rodriguez P, Siegel DS, Hillman A, Eden L (2006), 'Three lenses on the multinational enterprise: politics, corruption, and corporate social responsibility', *Journal of International Business Studies*, 37, pp. 733-746.

SGEPC Sports Goods Export Promotion Council, (2006), 'Annual report', New Delhi, 2005-06.

SGMF (2004). Directory of All India sports Goods Manufacturers Federation, SGMF, Meerut, 2004.

UNIDO (2002). 'Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries', United Nations Industrial Development Organization Vienna, available at [www.unido.org/userfiles/PuffK/CorporateSocialResponsibility.pdf](http://www.unido.org/userfiles/PuffK/CorporateSocialResponsibility.pdf) - 482k- , assessed on 21/3/2008.

Whitehouse L (2006). 'Corporate Social Responsibility – Views from the Frontline', *J. Business Ethics*, 63: 279-296.

Williams CA, Aguilera RV (2006). 'Corporate Social Responsibility In A Comparative Perspective', available at [business.uiuc.edu/aguilera/pdf/Williams\\_Aguilera\\_OUPfinal\\_dec\\_2006.pdf](http://business.uiuc.edu/aguilera/pdf/Williams_Aguilera_OUPfinal_dec_2006.pdf), assessed on 26/12/2007.

Zadek Simon (2001). 'The Civil Corporation: The New Economy of Corporate Citizenship', Earthscan Publications Ltd., London.