

Can Business Regulation Stimulate Responsible Corporate Conduct – Gathering Evidence from a Few Indian States

Regional Dialogue (SOUTH INDIA)

Exploring the interplay between Business Regulation & Corporate Conduct in India
(BRCC Project)

Friday, 15th July 2011, Bangalore

Record of Proceedings

1. Sequence of Proceedings

1.1 Welcome and Introduction by Ms Vasanthi Srinivasan

- Brief overview of the exchanges made during the northern regional dialogue
- Innovative nature of the project towards targeting the interplay between business regulation and corporate conduct

1.2 Introductory Remarks by Mr Rijit Sengupta

- The regional dialogue is meant for receiving inputs from diverse stakeholders and practitioners at the initiation stage of the project so that all such concerns and aspirations get reflected into the research design before the actual commencement of the field work.
- The project is significant from the perspective of the government, business and stakeholders and its findings will be widely shared with all.

1.3 A presentation on the ‘Aspects of Business Regulation and Corporate Conduct’ was given by Mr Sameer Chaturvedi from CUTS. Major issues covered:

- The role played by business regulation for business performance has been recognized and there are various rankings being done in this regard. But the linkage among business regulations and corporate conduct are yet to be unearthed, especially in the Indian context.
- There are differential but complementary responsibilities of government and corporates towards various stakeholders. As the concept of responsible business has evolved globally as well as nationally, the time is opportune to come up with a robust and forward looking approach.

1.4 A presentation on ‘Overview of the BRCC Project’ was given by Mr Rijit Sengupta from CUTS.

- The project was launched on 21st April 2011 and since then; groundwork has been done towards the research methodology through consultations.
- Project tries to address in what ways business can contribute towards growth and development of country in a responsible way.
- Apart from the research component, the project also has the capacity building component. Thus, the learnings from the project will be utilized for building the capacity of government, business and stakeholders.

2. Floor Discussions (Moderated by Vasanthi Srinivasan)

2.1 Major Questions and Concerns

- There is need to have a robust definition of ‘business regulation’ that could encompass all such ‘codified’ and ‘written’ laws, rules, ethos etc. that serve as drivers for corporate conduct. Also, there is need to specify the ambit of business regulations, thereby segregating these from the expectations and aspirations of various stakeholders.
- What are the elements/ characteristics of business regulations that make these ‘effective’? Such elements need to be elaborated upon.
- How can popular thoughts (stakeholder demands) be put into business regulations?
- What are the elements of ‘responsible’ corporate conduct and on what criteria the extent of responsibility of corporate conduct could be assessed?
- What does the Project has in for the unorganized sector and how will it cater to the aspirations of the petty stakeholders who lack adequate voice?
- How and where will the Project incorporate ‘buyers obligations’ and ‘international alignments’ that are not considered as business regulations but have a bearing upon firm’s conduct at various levels of value chain?
- How would the Project contribute to establishing the accountability of Board Members and Heads of firm vis-à-vis its corporate conduct? In a similar vein, the ‘shaming’ related nuances have to be detailed out in a delicate manner. How would it be done?

- Who is responsible for ensuring that the business regulations are ‘effective’ or not – the government? The Businesses? Or the Stakeholders? (All combined!)
- Would there be negative checklists too for arriving at ‘ineffective’ business regulations and ‘irresponsible’ corporate conduct?

2.2 Major Inputs and Inferences

- Some of the tests that business regulations could be put through to assess their effectiveness are: Existence; Awareness and Outreach; Usage and Implementation; Loopholes; Sanctions and Enforcements; Overlapping; Contradictions; Sustainability; Resources and Capacity of Enforcing Entity; Regulatory Reviews and Audits; Independent Monitoring; Third Party Engagement
- Appropriate case studies will be identified for three broad typologies of business regulations: public regulations; co-regulations; and self-regulations
- While assessing the effectiveness of business regulations and responsibility quotient of corporate conduct, it will be imperative to check if these are able to meet the aspirations of various stakeholders or not. Thus, there will be specific ‘qualifiers’ that will determine the extent to which business regulations are ‘effective’ and corporate conduct is ‘responsible’. These qualifiers have to be detailed out!
- The three typologies of business regulations could be further broken down into sub categories. For instance, the civil society led regulations and standards should be given a separate identify. Similarly stakeholder demands could constitute another sub-category.
- The grand exercise of deliberately deciding over placing various types of business regulations under the three broad categories viz., public regulations, co-regulations; and self-regulations has never been undertaken in India and the Project would be first of its kind to move in that direction.
- The Project could look at how the public regulations are having differential impact on corporate conduct of public entities and private entities
- It will be imperative to keep in horizon the ‘implementation related challenges’ while elaborating upon the findings of the Project and while giving recommendations.

- At appropriate place and in suitable manner, the Project will cover the issue of ‘unofficial payments’ made by the firms thus, bypassing the corresponding business regulations that are otherwise coming in the way of firms’ profits.
- The Project will, despite specifying the significance of government’s initiatives towards building an effective system of business regulations, advance the very effectiveness of all forms of business regulations. Specific focus will be over how can a system of effective business regulations result into such business strategies that could enable the firms to pursue their profit objectives without failing on count of their responsible corporate conduct. Thus, to recognize the sturdiness of external check on corporate conduct does not undermine the importance of having an effective system of self-regulation guided by internal ethos.
- While benchmarking the effective of business regulations and responsible nature of corporate conduct, special emphasis will be over detailing out the indicators. Such indicators will be sector specific and will be developed through a consultative process involving specialists, practitioners as well as key stakeholders.
- The example of ‘Advertisement Standards Council of India was quoted to signify the effectiveness deficit in the case of a promising self regulatory initiative.
- There was agreement over looking at the value chain for locating various nodes of effectiveness of business regulations and responsibility elements of corporate conduct. Thus, the forward-backward-vertical-horizontal linkages will be delved into. Accordingly, the choice of states could be made.

3. Summing up (by Karl Rich from NUPI)

- Reflections were made upon the inputs received during the project launch and the two regional dialogues, the research methodology will be finalized.
- The records of the proceedings of the two regional dialogues and the presentations will be uploaded on the project webpage for further reference.

Agenda

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Friday, 15th July 2011, Bangalore

0900 to 0930hrs:	Registration
0930 to 0950hrs:	Welcome and Introduction <ul style="list-style-type: none">- Vasanthi Srinivasan, IIM Bangalore- Rijit Sengupta, CUTS
0950 to 1010hrs:	Aspects of Business Regulation and Corporate Conduct <ul style="list-style-type: none">- Sameer Chaturvedi, CUTS
1010 to 1030hrs:	Overview of the BRCC Project & Progress <ul style="list-style-type: none">- Rijit Sengupta, CUTS
1030 to 1100hrs:	<i>Floor Discussions</i>
1100 to 1115hrs:	TEA BREAK
1115 to 1300hrs:	Presentation & Discussion on Research Methodology <ul style="list-style-type: none">- Vasanthi Srinivasan, IIM Bangalore
1300 to 1315hrs:	Summing Up <ul style="list-style-type: none">- Karl Rich, NUPI
1315 to 1330hrs:	Closing Remarks <ul style="list-style-type: none">- Vasanthi Srinivasan, IIM Bangalore
1330 hrs:	<i>LUNCH</i>

List of Participants

S.No.	Name	Designation/ Affiliation
1.	Vasanthi Srinivasan	Chairperson, Centre for Corporate Governance and Citizenship, IIM Bangalore
2.	Karl Rich	Senior Research Fellow, Norwegian Institute of International Affairs (NUPI)
3.	Rijit Sengupta	Associate Director, CUTS
4.	Sameer Chaturvedi	Assistant Director, CUTS
5.	Laura Ceresna Chaturvedi	Corporate Accountability Advisor, Cividep-India.
6.	Manoj Chakravarti	Chief Operations Officer-Centre for Corporate Governance and Citizenship, IIM-B
7.	Soumitra Ghosh	Founder CEO, CSO Partners
8.	Shankar Jaganathan	Independent Expert – Corporate Affairs
9.	Khozem Mirza	Joint President, Corporate Legal Cell, Aditya Birla Group
10.	K.Nagalingam	Zone Director(Training), JCI India
11.	Dr. S. Prabakaran	Professor, Alliance Business Academy, Bangalore
12.	Dr. G. Alivelu	CESS, Hyderabad
13.	S.Saroja	Citizen Consumer and Civic Action Group, Chennai
14.	Mary Cherian	KCT Business School, Coimbatore
15.	Prabutta Bolar	Research Assistant, IIM Bangalore
16.	Ramu. P. Iyer	Independent Expert
17.	Ashima S.	Head Of Responsible Care For BASF(India), BASF
18.	K.V. Rao	Consultant- Corporate Relations, BASF
19.	G. Rajan	Consumer Association Of India, Chennai
20.	Binoy Joseph	Rajagiri College of Social Science
21.	Sucharita S Eashwar	Senior Director, NASSCOM
22.	Y G Muralidharan	Consumer Rights Education and Awareness Trust