Strategic Services Marketing
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Week – 10

Lecture 46

Sustainable practices and corporate social responsibility in services

Hello everyone. In this week we are going to understand the concepts of sustainability and it's impact on green services. Specifically, in this session, let's explore the sustainable practices and corporate social responsibility in services. What is sustainability? As defined by United Nations, sustainability development requires an integrated approach that takes into consideration environmental concerns along with economic development. In 1987, the United Nations' Brundtland Commission defined sustainability as meeting the needs of the present without compromising the ability of future generations to meet their own needs. And today there are more than 140 developing countries in the world are seeking ways of meeting their development needs.

But with the increasing threat of climate change, concrete efforts must be made to ensure development today does not negatively affect future generations. With this, let's understand what are the components of sustainability. There are three components of sustainability that is environmental sustainability, social sustainability and economic sustainability. Let's understand each one of these in detail.

First one here is environmental sustainability. Ensuring the protection and preservation of ecosystems, biodiversity and natural resources forms environmental sustainability. Mitigation pollution and reducing carbon emissions also part of this component. For example, conservation of forests, promotion of clean energy and sustainable water management practices addresses environmental sustainability concerns. The second component here is social sustainability, which means upholding human rights, promoting social equity and fostering inclusive communities.

This also means ensuring fair labor practices and decent working conditions for them. For example, providing access to education and healthcare, supporting diversity and inclusion initiatives and investing in community development projects are part of the activities that can be taken to address social sustainability concerns. The third

component here is economic sustainability. This involves creating prosperity and economic growth while managing resources efficiently and responsibly. This also means fostering innovation and entrepreneurship in the ecosystem.

For example, activities might include implementation of sustainable business practices, promoting fair trade practices and supporting local economies. So all these three components together constitutes a sustainability as a wholesome concept. Now let's understand why sustainability is important. There are three reasons that's why one should understand or kind of explore themselves into the concept of sustainability. First one here is ensuring long-term viability.

Sustainable practices and policies help ensure the continued availability of resources and support systems for future generations, safeguarding the ability to meet their needs. The second reason is minimizing negative impacts. By reducing environmental degradation, social inequalities and economic instability, sustainability efforts mitigate harmful effects on ecosystems, communities and economies. And third thing why sustainability is important is because it fosters resilience. Sustainability promotes resilience in the face of challenges such as climate change, resource depletion and social injustices.

It builds adaptive capacity and enhances the ability to withstand and recover from shocks and disruptions. Now let's understand why services need sustainability practices. There are multiple reasons for this. The first one here is environmental impact. Services like any other sector have environmental footprints.

Energy consumption, waste generation and resource utilization contribute to environmental degradation. Sustainable practices help minimize these impacts, reducing carbon emissions, conserving resources and preserving ecosystems. The second reason is because of meeting customer expectations. Modern consumers are increasingly concerned about sustainability and ethical business practices. Services that prioritize sustainability can attract and retain customers who prefer environmentally and socially responsible options.

Third reason is because of regulatory compliance. Governments worldwide are implementing stricter regulations and standards regarding environmental protection and social responsibility. Services must adhere to these regulations to avoid legal liabilities and reputational damage as well. First reason is because of cost saving and efficiency. Sustainable practices often lead to cost savings in the long run.

Energy efficient operations, waste reduction measures and sustainable procurement policies can lower operational cost and improve efficiency. Another reason is because of risk management. Failure to address sustainability issues can pose significant risk to services. Reputational damage, supply chain disruption and legal issues can arise from

environmental   controversies or social injustices.   Another reason is because sustainability practices offer competitive advantages.

Embracing sustainability can differentiate services in the market. Businesses that demonstrate a commitment to sustainability may gain a competitive edge attracting environmentally conscious consumers and investors. And finally, it also offers long term viability to the firm. Sustainable practices ensure the long term viability and resilience of services. By mitigating environmental and social risk, services can secure their future operations and contribute to a more sustainable world.

With this, now let's look at some examples of sustainable practices in the context of services. The first area here is energy efficiency measures. Implementing energy saving technologies and practices to reduce energy consumption falls into this particular idea. Here firms can go for example installing LED lighting, optimizing HVAC systems and even using energy efficient appliances as well. For example, JW Marriott.

Marriott has implemented energy saving initiatives across its global portfolio of hotels, including installing energy efficient lighting and HVAC systems and leveraging smart technology to optimize energy usage in guest rooms. For example, they also encourage guests to participate in energy saving initiatives such as reusing towels and adjusting room temperatures. Another sustainable practice involves having waste reduction and recycling programs. This involves implementing strategies to minimize waste generation and increase recycling rates. For example, setting up recycling bins, composting organic waste and even reducing packaging materials.

For example, Salesforce. Salesforce, a cloud-based software company, is committed to sustainability and has implemented robust waste reduction and recycling programs in it's offices worldwide. They prioritize recycling and composting and have set ambitious goals to achieve zero   waste. Next, sustainable practice involves having green procurement policies.   This involves adopting procurement policies that prioritize environmentally friendly and sustainable products and services.

This involves activities like purchasing products with eco labels, sourcing from suppliers with   strong environmental credentials and favoring recycled or even biodegradable materials. For example, Google. Google has a comprehensive sustainable procurement program ensuring that the products and services   it procures are environmentally friendly.   They prioritize suppliers who demonstrate sustainable practices such as using renewable energy and minimizing waste. Another sustainable practice involves having eco-friendly transportation solutions.

This means promoting alternative transportation methods that reduce carbon emissions and environmental   impact. This involves activities like providing incentives for carpooling, offering electric vehicle   charging stations and supporting public

transportation options as well. For example, Lyft. Lyft, a ride sharing company, has made significant strides in promoting eco-friendly transportation options. They offer electric and hybrid vehicle options for riders and have committed to transitioning their entire fleet to electric vehicles by 2030 to reduce carbon emissions.

Next, sustainable practice involves sustainable sourcing of materials. This means ensuring that materials used in products and services are sourced responsibly and sustainably. This involves activities like using certified sustainable wood, sourcing fair trade and organic ingredients and selecting materials with minimal environmental impact throughout their life cycle. For example, Starbucks cafe program or practice. Starbucks has a strong commitment to ethical sourcing practices for it's coffee beans.

They have implemented programs such as coffee and farmer equity which is known as cafe practices which promote sustainable farming practices, fair wages and community development among coffee farmers. Now let's discuss the benefits of having these sustainable practices in services. The first benefit is of course cost savings through reduced energy and resource consumption. Second benefit, enhanced brand reputation and customer loyalty. And third, reduce environmental footprint and contribution to conservation efforts.

After understanding what is sustainability and it's importance, now let's move on to the next concept which is known as corporate social responsibility which is also acronym as CSR. What is corporate social responsibility? Corporate social responsibility is a business model that integrates social and environmental concerns into company operations and interactions with stakeholders. It goes beyond profit making to consider the impact of business activities on society and the environment. Now let's discuss what are the pillars of CSR. There are four pillars, environmental sustainability, social responsibility, ethical labour practices and community engagement.

Environmental sustainability involves ensuring protection of the environment and natural resources through sustainable practices and reducing ecological footprint. Whereas social responsibility means upholding human rights, promoting social equity and contributing to the welfare of communities where the company operates. The third pillar, ethical labour practices means ensuring fair labour practices including safe working conditions, fair wages and respect for workers' right throughout the supply chain. And the fourth pillar which talks about community engagement involves engaging with the local communities and stakeholders to understand their needs, concerns and actively contributing to their overall development. What are the objectives of CSR or corporate social responsibility? The first objective is to create shared value.

CSR aims to create value for both the company and the society by addressing societal challenges through business initiatives. This involves identifying areas where business

interests align with the societal needs. The second objective of CSR is contributing to societal wellbeing. CSR initiative seeks to make positive contributions to society such as improving access to education, healthcare and basic necessities and promoting social inclusion and equality. The third objective is building trust with the stakeholders.

By demonstrating a commitment to social and environmental responsibility, companies can build trust and credibility with stakeholders including customers, employees, investors and communities. Let's have a look at this particular video wherein the industry giant Ratan Tata talks about the role of CSR in emerging country like India.

Have a look at this particular video. You've got a country with tremendous disparity of income. You've got very rich people on the one hand and abject poverty on the other.

You have to be sensitive to the fact that this gap cannot continue to widen while there's a large discontented number of people who are looking at the inequities of the environment as they see it. For companies, therefore, I think there has to be a sensitivity to doing something in the communities around which you operate. And making an effort to raise the quality of life so that there's not envy and distaste for what is there but look, the companies looked at in a more positive sense in enhancing the quality of life of the people around them. We expend about 4% of our net profit in these rural development activities and we do it ourselves and someone may argue that this is shareholders' money, which it is, but I think it has bought a sense of not just tolerance but a sense of welcoming our companies in wherever they've been and enhancing whatever we've been trying to do in the product area or the services area to community area being part of the community. Now let's understand the importance of CSR in services.

Firstly, it is important with respect to customer expectations wherein it's important to increase demand for the ethical and sustainable services. Modern consumers are increasingly concerned about the social and environmental impacts of the products and services they purchase or consume. They expect business to demonstrate a commitment to CSR and sustainability, aligning with their values and beliefs. Services that prioritize CSR can meet these evolving customer expectations and build stronger relationships with socially conscious consumers. Secondly, CSR activities can also offer competitive advantage to service firms.

CSR initiatives differentiate businesses and attract socially conscious consumers. Embracing CSR allows service firms to differentiate themselves in the market and stand out from competitors. Businesses that demonstrate a commitment to social and environmental responsibility can attract socially conscious consumers who prefer to support ethical and sustainable companies. CSR initiatives become a key factor in consumers purchasing decisions, providing a competitive edge for service firms that prioritize sustainability. Third, CSR practices also helps in risk mitigation.

For example, addressing social and environmental issues proactively minimizes reputational and operational risk as well. Neglecting CSR can lead to various risks including reputational damage, loss of customer trust and legal liabilities. By proactively addressing social and environmental issues, service firms can mitigate these risks and protect their brand reputation. Overall, CSR initiatives help build resilience by fostering positive relationships with stakeholders and enhancing the company's ability to navigate challenges effectively. Now let's look at some case studies that shows us how CSR in services can be a game changer.

 The first case study here is from our own TCS, that is Tata Consultancy Services. Tata Consultancy Services has various CSR initiatives that has varied impact on society and communities. For example, TCS has a comprehensive CSR strategy focused on education, healthcare, environment and rural development. The company has launched various programs to promote digital literacy, skill development and vocational training in underprivileged communities. TCS also supports healthcare initiatives including medical camps, healthcare centers and awareness campaigns.

  And if we look at the impact of these CSR activities at TCS, these initiatives have positively impacted millions of lives across India, especially in rural and marginalized communities. The company's focus on education and skill development has empowered individuals with the necessary knowledge and skills to enhance their livelihoods. Moreover, TCS commitment to healthcare has improved access to medical services and contributed to better health outcomes in underserved areas. Not just TCS but entire Tata group is committed to CSR. Let's have a look at this particular video that shows how TCS or even Tata group altogether is building or imagining a better tomorrow in India with its CSR activities.

 Have a look at this video. Growing responsibly is addressing the problems of today for a better tomorrow. And at the Tata group we see this as a journey to give and grow. Over the last year we reached out to over 200,000 distressed people across India and Nepal. Wherever we have gone our purpose has been to build and nurture the resilience of our communities. To oversee these diverse activities we at Tata have built a cadre of trained project managers always ready to respond to the call of duty.

 I thought this is something I could learn a lot from and it could really help me help others in the best possible manner. Volunteering has become a movement at Tata. Tata Engage, our volunteering program launched in 2014 has already registered over 70,000 volunteers. One small volunteering act can inspire many more of your colleagues to volunteer. So I would encourage many more people to come forward and volunteer in the future.

Our colleagues dedicate their time to participate in community activities. Inspired by the Tata vision to touch the lives of a quarter of the world's population. So the fact that you guys can come and help us out like this um make life better on a day-to-day basis for the children are using this. The youth are our future and the Tata group is investing significantly to empower them with skills and knowledge. Our companies continue to offer professional training and entrepreneurship opportunities all over the world while imparting people with education that prepares them for meaningful roles in society.

They didn't like it, I loved it. Our enduring commitment to sustainability finds reflection in the group sustainability policy adopted recently. Sustainability must remain at the heart of everything we do. It is our competitive advantage that ensures we remain an employer of choice, partner of choice and a neighbour of choice. At Tata there's a lot more that we do every day.

Together by touching lives and inspiring a better tomorrow. In the Tata group we give and grow. Second case study we have is from another it giant Infosis Infosis prioritized CSR activities in education Healthcare and rural development and environmental sustainability the company has established the Infosis foundation to implement various social welfare projects across India. Infosys Foundation initiatives include building schools, providing scholarships, supporting healthcare facilities and promoting environmental conservation. If we look at the impact of these CSR activities, we can say that Infosys CSR efforts have made a significant impact on education by providing access to quality education for underprivileged children. The company's healthcare initiatives have improved healthcare infrastructure and services in remote areas benefiting thousands of people.

Moreover, Infosys environmental sustainability projects focus on reducing carbon footprint, water conservation and promoting renewable energy sources, contributing to a greener and more sustainable future. Let's have a look at one of the video that documents Infosys Foundation's efforts in terms of it's CSR activities. Have a look at this video. Third case study that we have here is from a banking sector and that's again a private sector bank known as HDFC bank. If you look at the CSR initiatives, HDFC bank CSR activities encompass education, healthcare, sanitation and livelihood enhancement.

The bank has launched various educational programs including scholarship schemes, digital literacy initiatives and vocational training programs as well. HDFC bank also supports healthcare projects such as medical camps, health awareness programs and infrastructure development for healthcare facilities. If you look at the impact, HDFC bank CSR initiatives have played a vital role in promoting education and skill development particularly among economically disadvantaged individuals. The bank's healthcare projects have improved access to healthcare services and contributed to better

health outcomes in rural and underserved communities. HDFC bank's focus on livelihood enhancement has empowered individuals with income generating opportunities fostering economic growth and social development.

The CSR activity at HDFC bank is known as Parivartan. Let's understand this Parivartan initiative in more detail with this video. Have a look at this particular video. Since its first step in 1995, HDFC bank has emerged as the most valuable brand in India. This incredible journey has it's genesis in the belief that real development of a country happens when all stakeholders are empowered down to the last person.

A lot is done, much remains. We are committed to bring this change. How can we make Gopal earn with dignity? How can we make something as basic as water accessible to Kebina and others in her village? How can we save Chanchal from the embarrassment of defecating in the open? How do we make learning fun for Dikeshwar? How can we empower Seemone and her family? As a socially responsible corporate citizen, HDFC bank is empowering the lives of millions at the bottom of the pyramid. Change is possible when communities are empowered. Let's walk together on this journey of development.

Change is Parivartan. And Parivartan is not just transformation of the economy. It is transformation of our people. Because together we can. And we will be the change we want to see.

And all it needs is that first step. HDFC bank Parivartan, a step towards progress. These case studies highlight the significant CSR efforts undertaken by Indian service firms to address social, environmental and economic challenges and make a positive impact on society. In conclusion, embracing sustainable practices and corporate social responsibility in services is not only a moral imperative but also a strategic advantage. By prioritizing sustainability, businesses can drive positive social and environmental impact while posturing long-term success and resilience in an increasingly conscious market. So in this session, we tried to explore and understand the concept of sustainability and CSR and it's usage, importance and application in the context of services. Thank you.