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Global Consciousness - When Danish companies venture to India

An investigation into Corporate Social
Responsibility implementation by Danish
companies in India

Master Thesis

Author: Rikke Maria Former

Supervisor: Neelambar Hatti

Abstract

The world is getting smaller - or bigger - some will argue. Not many geographical spots are untouched, and international brands are known all over the world. It has become easier, and increasingly attractive for Trans National Corporations from countries with strong economies to relocate, out source or establish new branches less wealthy countries in the East, often portrayed as beneficial to all participants.

This is also the general opinion dominating the debate in Denmark, where this paper took its outset.

This paper presents an investigation into how some Danish companies approach the new market in India when settling or relocating a local branch. The intention has been to reveal a trend among major Danish participants in the global traffic of business and ideas from the West to the East and the current approach to Corporate Social Responsibility (CSR).

It includes a series of interviews with Danish companies currently settled with branches of their companies and having production in India, and a Director of Globalization in DI, Dansk Industri which is an umbrella organisation for Danish industry.

Other sources are various home pages on the Internet, literature and newspaper articles.

(10450 words)

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1. Introduction and research problem

Since globalization has influenced trade all over the world, companies have looked for new opportunities in doing business outside their home country. In the case of India, the trade barriers were great and hindered foreign companies in trading and doing business there, but after 1991 many barriers were lifted and the protectionist economy was eased due to a wave of reforms (Ahluwalia and Williamson 2003:209). Since then, the Indian economy has opened up and has slowly become a very interesting country for business ventures, not the least from Western countries.

Denmark has been one country participating in this new exchange with quite a few local branches scattered all over India and in various fields; from medicine to gas pumps, from garment factories to IT-jobs. According to Danish Industries Organisations this trend is growing with new companies venturing into India in the next years (Jyllandsposten 14.4.2004:7).

In modern times, it seems, that whenever there is an exchange from West to East, be it in education, trade or other, there is a risk of the West being superior to the East, simply because of economic unbalance in the relationship to the advantage of the West. In the case of companies from the West opening up branches in India, it is also a matter of the economical benefits, since the costs are much lower in India than they are in for instance Denmark. Obviously, the main reason for Danish companies settling in India is a reduction of wages that are otherwise very high in Denmark, and lower production cost in most other fields as well; electricity, transportation and fuel.

For some companies it is not only a matter of saving some money on production, it is a real matter of survival in a globalised world where the name of the game is outsourcing and moving to lower cost locations. Some companies will simply have to close down if they do not begin to look outside of Denmark for new opportunities of expansion and relocation, to enable these to compete on better terms. It seems the trend is not going to stop, since all companies will want to survive economically and be competitive. So more and more Danish companies are relocating now and more will most likely follow in the future (Ibid.).

In such an exchange there is a possible risk of an imbalance, and there has in the last many years been a growing focus on the circumstances under which Western companies employ and treat their employees in the developing countries. There has been numerous documented examples on how local employees in developing countries have been exploited, been underpaid, having 14-16 hours of work all days, sometimes without breaks, and no days off work and no holidays by their employers from a Western mother-company (UNRISD Conference News 17-18.11 2003:3).

With a growing sense of awareness about these matters, and various humanitarian organisations pointing out these problems, companies have been monitored more carefully, and forced to change their business structures in order to keep a good reputation and stay in business.

These factors have resulted in various sets of guidelines on how Western companies should act when moving production or other parts of their work to developing countries. International Labour organisation (ILO), United Nations (UN) and other major organisations along with smaller institutions have formulated these guidelines, which are not regulatory by law, but simply advise (Guide to Instruments of Corporate Responsibility Oct.2005:49).

In the last many years, transnational corporations (TNCs) have ‘discovered’ India as a new country of opportunities. Especially after 1991, when India opened up the economy to the rest of the world, and ended the hitherto implemented protectionist home market. This has resulted in a vast and growing activity of moving to and settling in India from many Western countries, adding to what has been labelled globalization and a new kind of exchange of ideas and employees, though it can be claimed that the discourse of globalization has come primarily from the West, and to its own advantage.

When businesses and corporations move around in a globalised world, they will inevitably, directly or indirectly, play an important role wherever they choose to settle. As more and more businesses and international corporations move out of their home countries (most often in the Western part of the World) to settle in another (most often in the Eastern part of the World), various reasons are considered as background for that decision. Often it is based on economic survival, because the production or other work has become too costly in the home country, and corporations choose to move their production to a country with lower costs of labour. It can also be that another country has better knowledge about a certain area of production, or an interest in producing goods locally instead of exporting, and by doing so saving transportation costs, following a need for new markets for these companies.

Since the above mentioned growing trend has become a more and more common way to develop businesses from the Western countries to the Eastern, a growing interest in securing that this activity benefits both parts has (come about). This tendency has been labelled *Corporate Social Responsibility* (CSR) and covers different guidelines for businesses on how to act towards employees. CSR is not one set of rules, it is an idea that includes many guidelines from various institutions and organisations; the International Labour Organisation (ILO), OECD and institutions within the United Nations that have stated certain guidelines for Trans National Corporations (TNC). Though these intentions are only guidelines, not rules to be followed by law, companies world-wide are encouraged to follow these instructions (The UN Norms on Corporate Human Rights Responsibilities 2005:4).

It seems more and more important for TNCs to show concern about their social responsibility for the people they employ in the lesser developed countries. and the more consumers and potential buyers have become aware of ethical standards in means of production, the more companies have to prove they act responsibly. If they fail in doing this, they risk losing customers due to harmful media coverage and consumers reluctance and aversion.

In recent times, the issue of Corporate Social Responsibility has been the focus of attention both among organisations and corporation working internationally. It is commonly perceived that CSR is not about charity, but that it belongs to the core business of a company and therefore should be an integral part of doing business (Ibid.:15).

Companies are under increased pressure from society as well as from governments to act responsibly and take their social responsibility seriously and act according to UN recommendations. This is the case in Western countries home markets in general, and in the case of corporations with business activities in developing countries in particular.

Based on interviews with Danish companies already present in India, this thesis aims to investigate how some of these current trends are implemented in the companies. I wish to investigate how they implement the CSR recommendations agenda of UNRISD, or if they have implemented their own set of company regulations on CSR. I will look into how they differ from the regulations in the Danish mother company or whether or not the Indian employees are entitled to the same rights as their Danish colleagues.

This research has focused on larger Danish corporations that have all been present in India for a long time. The reasons behind this choice is that the longer a company has been present, the better the chance of them having considered and applied social responsibility codes.

Other criterias for choosing the relevant companies for this research has been that they should all have a daughter-company established in India, and not outsource to a local company. This because the companies would be expected to have extensive knowledge about the conditions for their Indian colleagues. Furthermore, there should be a predominantly Indian staff at the local branch, because this thesis investigates how CSR policies are implemented for Indian workers by Danish companies.

2. Purpose and Research Questions

The main question throughout this thesis is *whether or not larger Danish companies apply a certain standard of responsibility when establishing branches in, or outsource to India.*

My aim is to investigate Danish companies which have placed production activities in India. What considerations have they given on the effect of their presence in the local Indian society where they

are placed, and how the lives of the local employees might be influenced by the presence of a Western company.

The overall questions posed in this research are the following;

- Is Corporate Social Responsibility being applied in practice?
- Where progress is apparent, what types of pressures, incentives and institutional arrangements are promoting change?
- Do voluntary initiatives and corporate self-regulation constitute an effective alternative to government and international regulation?
- What are the implications for development in India of efforts by larger Danish companies to raise social and environmental standards?

My research will be qualitative, and is compiled through interviews with the representatives with specific knowledge of Indian operations in the companies I have chosen for the empirical background. (See appendix for full sample of questionnaire)

3. Methodology

This chapter will discuss the different methodological perspectives used in this thesis. The first section will present the methodological point of departure, followed by a discussion of the validity and reliability of the answers, taken into account the position of informants. A discussion of ethical issues will follow and finally the method of analysis will be presented.

3.1 Methodological point of departure

The methodology chosen for the investigation for this research has been structured telephone interviews conducted in Denmark during November and December 2005. The interviews took the form of a conversation with a set number of questions, and were planned to last between 20-30 minutes, but often this was exceeded and lasted more than one hour due to a growing interest from the interviewees to answer thoroughly and elaborate on their arguments.

The interviews were all done by telephone, due to the fact that the informants preferred it to be done this way. The explanation was everywhere time pressure, and that a telephone interview confined to less than an hour was the best option if I was to get the interviews in time. One exception was the interview with Mr. Thomas Bustrup from Dansk Industri who was able to provide a personal interview at the head office of Dansk Industri in Copenhagen, Denmark.

The companies I have interviewed all have a production activity in India as a unit of the Danish mother company. When selecting the companies I have chosen a varied group of companies, with different types of activities and sizes of Indian production units. This is to be able to present as

broad a spectre of Danish operations in India as possible. It is not, however, a quantitative investigation, but a qualitative one, and I am aware that this method will not provide a general picture of how Danish companies operate in India, but will give a more in-depth analysis of some of the major Danish companies currently present in India as far as their operations in India with regard to Corporate Social Responsibility.

Secondary sources have been literature, web sites, articles and television documentaries, carefully and thoroughly scanned in order to obtain as broad a base for the investigations as possible.

3.2 Validity and reliability of results

Due to the character of the questionnaire the interviewees were naturally all placed in relatively high positions in the respective companies. I am aware that there is a risk of these interviewees being biased in their answers and views on the way the company implements policies on social issues. However, on the other hand, these informants are also those who are most knowledgeable on the company policies on this specific matter. I have a very good feeling that all the interviewees answers were reliable, honest and well founded.

I do not claim that the interviewees in this research represent the general opinion on Corporate Social Responsibility among representatives of Danish companies in India. however, the group presented here does suit the purpose of the thesis and represents views and policies of major Danish companies settled in India. In fact, one could argue that the nature and size of these companies are representative factors of a general set of trends towards increased social responsibility, since larger corporations influence smaller ones and can therefore be seen as role models for CSR implementation.

As an interviewer and investigator I obviously carry my own set of values and of course there will also be a risk of the interviewer influencing the answers of the informants, but I have sought to put the questions as objectively as possible and not imply any agenda and thoughts about companies in general and the possible lack of social responsibility in particular. After all, I did not have much knowledge about the current situation until I interviewed, and the purpose was to gain this knowledge, therefore I did not find it problematic to stay objective.

Through an interview it is easy to become friendly with the informant and the interview can be turned into a conversation rather than an interview and formalities and objectives can be blurred. I will however claim that I have remained as neutral as possible through the interviews, helped by the fact that I interviewed through telephone where face expressions are invisible and the interview is held rather tight.

3.3 Ethical considerations

As always when companies are confronted with critical questions on how they operate, they are alert and not always willing to answer all questions. I know I have chosen a sensitive topic, and I

hope the result of my interviews reflect the fact that I have considered carefully how to formulate the questions, and that these considerations are also contained in the answers from the interviewees.

This investigation cannot help being one-sided, since I do not interview the other part, being the local Indian employees. This is a clear choice from my side, as I wished to investigate the views on outsourcing etc. from the Danish employers in India, but I acknowledge the fact that *the views of the other part* in this business is not represented in this paper. Since the aim with this paper is to give voice to the Danish corporations and due to circumstances that made investigation in India impossible, this thesis supposedly focuses on the Danish companies.

3.4 Method of analysis

The empirical material collected for this thesis has been analysed in the first stage from the transcriptions of the interviews. As already mentioned, extensive notes were taken during each interview, and these have been carefully studied and afterwards been divided into and organised in themes and categories. Finally, the material was analysed and conclusions were drawn on the background of the theoretical framework by analysis of the interview answers in the light of the two main theories, neo-liberal theory and dependency theory.

4. Outline

In Chapter 5. I will explain what concepts I have chosen to focus on in this thesis within CSR; in Chapter 6. the theoretical framework of this paper will be explained; in Chapter 7. I will present the empirical material under different sections and finally; in Chapter 8 I will analyse the empirical material and conclude on the results of the interviews.

5. Concepts

In the following chapter I wish to give a brief explanation of the different concepts used in this thesis, as I find it important and helpful to have a clear understanding of the concepts used.

5.1 Corporate Social Responsibility (CSR)

Corporate Social Responsibility is not a common term. It is a container concept which encompasses many different ecological, social and economic issues. Some large companies prefer *sustainable development* or *sustainable business*. Several Indian companies mention *responsible business* or *Triple P* (People, Planet and Profit). Indian companies and stake holders give a broader definition of CSR than Western companies and stake holders. According to an Indian companies sustainable development implies optimising financial position while not depleting social and environmental aspects and CSR implies issues related to children, women and environment. In the Western context community development is often seen as charity. In the Indian context it is seen as a

primary responsibility of a company, not only by stake holders, but also by the local Indian management. The background of this is that stake holders see the large Western companies as capitalist islands in a developing country. This position gives these companies a certain responsibility and obligation towards the community they establish in. Many international companies leave room to their Indian daughter company to develop initiatives in this field; sometimes they even have a special fund. All kinds of initiatives are developed by Indian companies, many times bottom up initiated by the employees.

In 1999, the United Nations took a so-called multi-stake holder voluntary initiative spearheaded by Secretary-General Kofi Annan, called *Global Compact*. It is a set of guidelines on human rights, labour standards, environment and corruption. These Global Compact principles are based on the Universal Declaration of Human Rights, the International Labour Organisation's (ILO) Declaration of Fundamental Principles and Rights at work, among others. The purpose of these principles are to act as guidelines for companies, nationally and not the least, globally, referring to TransNational Companies outsourcing, relocating or establishing local branches in developing countries.

The Global Compact Principles calls on companies to 'support and respect' human rights 'within their sphere of influence' in its first principle. (...) These include basic rights such as life, liberty, security and freedom from torture, slavery, arbitrary arrest, of movement, of religion, of expression as well as a right to education, food, shelter and so forth. Some guidance is provided as to the definition of 'sphere of influence' but it is acknowledged that it is an emerging concept. (Guide to Instruments of Corporate Responsibility, 2005: p.80)

Principles (3) through (6) address labour rights and obligations that companies are encouraged to follow, and are especially relevant in the context of this paper.

(3) Uphold the freedom of association and the right to collective bargaining

(4) Eliminate forced labour

(5) Abolish child labour

(6) Eliminate discrimination

(Ibid. p.80)

The principles stated above are all based on the so-called 'core labour standards' identified by the 1998 ILO Declaration of Fundamental Principles and Rights at Work'.

Global Compact principles (9) and (10) are also relevant to mention here:

(9) Encourages the development of environmentally friendly technologies.

(10) Calls on businesses to work against all forms of corruption.

Companies can join the Global Compact by sending a letter of support to the United Nations Secretary-General, and are then expected to incorporate its principles into their day-to-day

activities. But even companies that do not officially join can access the ten principles and follow them anyway.

The *Guide to Instruments of Corporate Responsibility* explains that the underlying ideas of Global Compact is to *promote constructive policy dialogue and partnerships amounts corporations and civil society*. Critics have voiced concerns that some companies might subscribe to the Global Compact principles only for publicity purposes, and do not pay enough attention to actually following the principles. Others have criticised that though the aims of the Global Compact may be commenced as admirable, its success in achieving consistent and systematic reform of corporate activity has been minimal.

There are also many positive reactions to the Global Compact initiative. Though it is a soft law it is considered better than no law at all. At the same time the Global Compact is seen as complementing rather than undermining other initiatives such as the UN Norms and OECD Guidelines which take a more quasi-regulatory approach. (Ibid.p.82)

It is also a forum that can support and give advice to those corporations that really want to change and promote social responsibility.

Though it is difficult to argue against the initiatives by the United Nations to promote workers rights internationally, many concerns have been expressed that the principles should be enforced by law and that companies should be monitored more closely to control that they are following CSR principles (The Jus Semper Global Alliance, Corporate Social Responsibility, Nov.2005:5-8).

In the case of the companies investigated for this paper, they have all chosen their own set of rules on social responsibility. More about this issue follows in the next chapters.

5.2 Outsourcing

The term *outsourcing* does not hold one consistent meaning. In textbooks as well as in articles it is a broadly applied concept (KosanCrisplant and Outsourcing Law 2005) Though most often referred to as *the act of obtaining services from an external firm* (Outsourcing Times 2004) it is also used to describe various methods for companies that pay other companies to do part of their work. It has especially been used to describe the traffic of Western companies paying companies in the East to do some of their work because of lower wages and lower production cost in the East.

For some interviewees used as informants for this research it seemed natural to use the term outsourcing about the work being done by the Indian branch of the Danish company. Other informants pointed out that since the Indian branch was actually a daughter company of the Danish company itself, one could not label it outsourcing, but rather a kind of establishing a new wing of the company.

It seems that there is no general consensus about how to describe branch-establishing in another country with local staff employed, or whether *outsourcing* covers that.

When using the term outsourcing in this text, it covers any activity of moving production to India, since all companies in this research have established a daughter-company with their own staff and the company in Denmark as a backup.

6. Theoretical overview

Following is a brief presentation of the theoretical background of this thesis. The first is Neo-liberal theory and the second is Dependency theory.

Both theories form the backbone of this research, and will be reflected on throughout the presentation of the empirical data as well as in the analysis and conclusion.

6.1 Neo-liberal theory

Neo-Liberal theory is a way of looking at how capital moves between rich and poor countries by Trans National Corporations (TNCs) moving productions from the West to the East.

In Neo-liberal theory, transferring capital from the West to the East is considered an advantage for both parties; the West benefits from the cheaper labour available in the East, and the East benefits from the inflow of foreign capital from the West. This is also referred to as a transfer of capital abundance to an area of capital scarcity. So according to neo-liberal theory it is a win-win situation.

Another advantage mentioned in neo-liberal theory is that the Trans National Corporations' role as modernizing agents, meaning that a large international corporation will inevitably bring expertise and modern means of production to the lesser developed countries, and thereby provide modernisation through trade.

Finally, it is mentioned that a flow of capital from the West to the East will most likely promote free trade on equal terms, once the East has become an equal partner in the international competition, as a consequence of trade activities with the West. (Desai & Potter 185)

Another very important point in neo-liberal theory is the potential transfer, or export, of values and knowledge. It is often pointed out as a great advantage, that when Western companies relocate or settle in a developing country, some Western core values will automatically be implemented in the business structure and thus be transferred to the employees in the local branch. These are values as workers rights, human rights, rights to medical insurance and other rights also included in the CSR policies from the UN among others.

In neo-liberal thought, this export of values is as important as the export of jobs, since the stronger economies in the West as well as creating jobs in a poorer country like India, also provide better

conditions for the population as a whole. We share our long-developed knowledge with people that have lesser access and provide a platform for new development locally.

6.2 Dependency theory

In sharp contrast to the positive view on global movement of capital and labour presented above, is the Dependency theory, which is very negative towards West-East trade. As Neo-liberal theory it is also used to analyse the consequences of trade by TNCs from the West to the East, but this theory claims that when TNCs move production to the East, the main capital stays with the Western TNCs, and the East benefits very limited. As it is the West that determines the terms of trade it is inevitably the West that benefits economically.

This theory has its background in the 1970s and was widely acknowledged as a valid theory. It is less used now, but I have found it relevant as a counterpart to neo-liberalism for this thesis. André Gunder Frank is considered the founder of dependency theory, and together with Johan Galtung he promoted his views of the economic imbalance in the world.

In Dependency theory core-periphery concept is used to describe how the West as the core exploits the periphery, and therefore the periphery will stay precisely that - the periphery to the core, and never become a core area on its own terms. The consequence, according to this theory is exploitation of the poor by the rich meaning an increased rate of exploitation.

Another contrast to the Neo-liberal theory is that in Dependency theory, the TNCs are perceived as agents of underdevelopment, that contribute to keeping national development stagnant in the East, despite capital flow, the reason being that the TNCs only invest in labour-intensive employment and do not contribute to increased knowledge and technical development. (Desai & Potter 2002:185)

It is easy to see the Danish companies investigated for this research as Neo-liberal agents, and just as easy to use the dependency theory against them. My intention is to keep both theories open and to look at the empirical data from both angles.

Both neo-liberal and dependency theories assume that productive capital is hypermobile but draw different conclusions. For neo-liberalism, this mobility means that capital will move from areas of abundance (as in the West), to scarcity (as in the East) in order to take advantage of lower costs in the latter. In the long run, so long as there is a global free market unhindered by the operations of interventionist nation-states, this will lead to a system of perfect competition between free and equal producers each exercising their respective comparative advantages.

For some versions of dependency theory, this mobility means that capital can move to areas of lower costs in order to increase the rate of exploitation without promoting national development. The result is a continuation of a core-periphery division of the world, as peripheral industrializers suffer from new forms of dependence. (Desai & Potter, 2002:185)

7. Presentation of empirical data

7.1 Danish representation in India

In 1999 the Danish government sent a delegate to Bangalore to lead a Danish Trade Office. At that time trade with India was limited, and outsourcing did not attract many companies. In fact, a report on the possibilities for Danish companies in India, composed to guide interested companies through the numerous advantages of venturing into this new market, sold only five copies the first year after it was published. The author of this report and leader of the Danish Trade Centre, Mr. Jacob Andersen, experienced that Danish companies were slow at discovering the Indian market compared to their Swedish, German and Dutch colleagues (Jyllandsposten 15.4.2004:7). This situation has changed radically, and a large number of Danish companies now show interest in moving their businesses to India in some way, or relocating from Eastern Europe or China because Indian has proved to be a more attractive market.

The first Danish corporations that established daughter-companies in India were concentrated largely around the IT-sector, but since it has been corporations representing all fields; the graphic industry, iron and metal industries, and recently it has especially been health and medicine companies which have shown great interest.

According to Mr. Jacob Andersen the Danish companies were slow at starting the Indian adventure, because of the unfortunate image India had in Denmark. It has for many years been common to focus on India's struggle with poverty, problems with the caste system and nuclear threats towards Pakistan (Ibid.). This image has now changed, and due to a more varied media coverage, amongst other factors, Danish companies are no longer as reluctant to try out this new market. Finally, an important factor is most probably that the more companies from Denmark can refer to success in India, the more corporations will follow. Some simply have to start, and it seems it is a matter of time before many more will follow.

The list of Danish companies currently in the association of Indian-Danish businesses holds 58 members. These are mostly larger corporations with business activities in many countries including, of course, India.

The four companies I have interviewed for this research have all established a daughter company in India with various kinds of productions.

Here follows a short presentation of the companies:

KosanCrisplant, producing, selling and installing pumps for fluid gasses. Their main customers in India and the reason for having the Indian branch is Indian Oil Corporation, Bharat Petroleum and

Hindustan Petroleum Corporation Ltd. The company employs mainly engineers that visit local customers for installation, service and repair purposes.

Lundbeck, producing, selling and teaching about pharmaceuticals for psychiatric and neurological diseases. They have a small local production as well as a sales unit with several salespersons in the major cities contacting physicians all over India for promotion and sales purposes. They also arrange regular courses for psychiatrists about the product range and how to use the medicine.

LM Industries, produce and sell wings and other components for windmills. They also use the Indian branch for exporting to the South East Asian and Central Asian markets as well as providing service to the local customers.

When asked about LM Industries' motives for placing a branch in India, Mr. Steen Broust from the Danish office explains that it was an obvious market for expansion and growth. The company wanted to get into the global market early, and that is why they established the Indian branch in 1994, when not many other transnational companies were established in India.

Cheminova, producing, selling and teaching about chemicals mainly used in agriculture, such as plant-protection products. They have a large production plant in India as well as a developing plant and they teach farmers how to use the products and protection means when using the chemicals. In the beginning of the 1990's Cheminova had a chance to buy an Indian company, also engaged in plant protection, and with a ready and set-up production unit. As is well known, the Indian economy was very protectionist then, and with high import taxes, and the only way to establish a Danish company in India was through ownership of an Indian company. After getting dispensation to buy an Indian company with a 100 percent ownership, Cheminova began the real production for the Indian market.

All interviewees have given as the main reason for establishing an Indian branch to be visible on the global scene, in time before the global competition becomes too great.

As stated above, the companies I have chosen for my research are all larger ones, for two reasons; it is mainly larger Danish corporations that are present in India with at least 15 local employees, and I find it more interesting to investigate businesses of a significant size since there is a better chance of them having a CSR policy.

7.2. Main themes

In the following section I will present the main themes as identified and categorised through the empirical material. First I will present the nature of the Danish companies their various Indian production units, followed by a detailed description of the branch structure of these units, and finally I will identify what steps the companies have taken towards implementation of CSR policies and how they implement those policies.

Each section will end with an analysis and section conclusion.

7.2.1 Branch structure and composition

All five companies investigated here have an almost all Indian staff, ranging between 15 and 500 employees. A few have one Danish employee permanently among the staff in India, acting as a mediator between the Danish mother company and the Indian branch. Otherwise in all cases, the local Indian staff cover all positions, from General Manager to technicians, engineers, accountants and other office workers.

The explanation for this structure is concurrent for all companies interviewed; an Indian staff will always know the ways of the local culture better, and is therefore a better choice. It is also mentioned by several that the Indian staff members are helping the Danish branch with various tasks such as web-design and teaching of Danish employees about the business potential in India. As one interviewee put it; “The employee designing the promotion material and designing our web sites in India now also does the same for our Danish branch. He is simply a genius at his job and the best we have in the whole company.” (KosanCrisplant)

In fact, ‘cultural exchange’ is often mentioned by the interviewees as a great asset and benefit for the company as a whole. The general impression is that the Danish companies recognise the potential inherent in the exchange of ideas from one local branch to another, regardless of the hierarchy of mother-daughter companies.

The company *Cheminova* has approximately 500 employees, all Indian except one, who is holding the position of technical director and co-ordinator and is from Denmark. That means it is practically an all-Indian staff holding all positions in the company, and in this way parallel to the Danish branch. Apart from being technical director the Danish employee’s main task is to be the connecting part between the Danish and the Indian company units.

The majority of the Indian staff is employed in the production units with developing and producing chemicals mainly for use in agriculture, such as plant-protection products.

In short, Cheminovas Indian unit is run parallel to the mother-company in Denmark. Obviously, there will be other tasks and different focus in India, but the basic structure is the same.

Mr. Kurt Åbo points out the major differences; in India Cheminovas focus is on developing and upgrading the market, and to provide the Indian market with safer products than on the existing local market. As Mr. Kurt Åbo points out, there is a whole ‘underwood’ of companies that sell very toxic products that have a harmful impact on the environment, and Cheminova aims at contributing with better, less harmful products.

Another company, *Lundbeck*, has approximately 85 employees, and it is an all Indian staff covering all functions of the Indian branch. When asked whether this strategy has proved beneficial for the company the answer is positive. The informant emphasises that not only would a Danish director in India be very costly. For instance expatriates often move for two or three years, require a new home for themselves and their families, regular flights home to Denmark, all at the company's expense - not to mention the salary. On the other hand it is also much more beneficial for the company to hire a person with local knowledge, since he or she is much better at analysing the Indian market and hire a skilled staff than an employee from Denmark would be until he or she had acquired the sufficient knowledge.

Lundbeck has a production unit in India as part of a scheme from the Indian Government where foreign companies must produce at least 50 percent of their production for the Indian market within India. They point out, that this was not the first priority since the market for medicines in India is a difficult one to deal with, due to the large copying of original medical products. This makes it difficult for a company like Lundbeck to establish themselves on the Indian market, because as soon as they release a new patent on a certain drug it is being copied by at least one Indian medical company, and is found at the shelves at Chemists in India before the actual original medicine from Lundbeck has arrived. In fact, it has occurred more than once that Lundbeck has been the tenth company to launch a new product on the market, the nine previous being copied products.

On the other hand, the informant points out that being in India has meant a much better insight into the market, and just being present from an early stage has given the company a head start on the Indian market.

KosanCrisplant has been in India for more than 40 years. They now employ 15 people, all Indian for all positions. They do not have any production in India, but take care of installation, commissioning, maintenance and training of customers employees working with KosanCrisplants gas-filling stations.

The relocation of these services from Denmark to India has been very beneficial to the KosanCrisplant. Earlier the service visits and maintenance was done by employees flown in from Denmark. A costly and time-consuming task that also lacked the speed of service the company wished to provide for their Indian customers. Now it is much faster and more effective since the service-engineers are already in the country.

As the other companies, KosanCrisplant wanted to be present at the global scene, and besides many other countries, India was interesting and became attractive when the company got some of the largest petrol companies as their customers. Since this relocation, the company has experience greater and greater success with their Indian branch. As the informant puts it: 'It was a tough start with several obstacles when we first moved to India. But after a positive long learning process we

now have great success with our branch in India. In fact, it is a success we hope to copy to our operations in all other countries, it is the best and most effective branch of many all over the world outside Denmark.’(KosanCrisplant, 2005)

LM Industries (LMI) employ approximately 50 people, and it is an all Indian staff. The main production is wings and other components for windmills. They established a production unit in Bangalore, India in 1994 for the purpose of production, service and sales activities providing for the Indian market as well as the Asian market, with the Indian unit acting as spearhead for the export to for instance Singapore.

Employing an all Indian staff has proved very beneficial to the company, since local expertise and knowledge is very important for the company when promoting their products in India and in many countries in Asia. The interviewee has explained, that the sales strategies from the Indian unit is worked out in close connection with the Danish mother-company, but it is run as an Indian company otherwise.

Since the interview, LMI have had even greater success in India. In a newspaper article (Børsen, 29.12.05: 10) LMI is reported to be expanding in South- and Central Asia, exporting wings for windmills to countries like Kazakhstan, Pakistan, Iran and Bangladesh. Again it is the Indian unit that act as promoting office and spearhead for this expansion, and so far the Indian market alone covers 20 percent of LMI’s earnings.

7.2.2 CSR policies and implementation programs

Conflicting views on social responsibility. As mentioned on the web site of the Dutch CSR program, an Indian staff will often be of the opinion that the mother company’s social responsibility goes beyond that of the Danish companies opinion. In the Indian staff’s opinion, the social responsibility goes beyond that of the workplace, it should also cover the surrounding village or town to some extent. As one informant, Cheminova, gave as an example, the social responsibility shown by the local staff in cases of a college in need of financial support. In that case, the staff took initiative to collect money among each other to help a co-worker whose house had collapsed in a mudslide, and in other instances it was another co-worker who did not have sufficient funds to pay a hospital bill for treatment of his cancer sick child.

LM Industries has not intended to contribute directly to a development in the Indian economy. But as Mr. Steen Broust points out, LMI is very aware of the contribution they have on the development on environmental friendly produced energy in a country where traditionally the production of energy often is polluting and thus quite harmful to the environment.

Of other positive impacts Mr. Broust mentions the employment the company provides for the staff they hire in India.

LMI does not have a set of regulations on Corporate Social Responsibility, and the informant is not aware of the actual work climate in the Indian branch, but he points out how important it is for the Danish company to have a positive influence on their staff in India. Local expertise and cultural differences add to the exchange of view contributing to a fruitful venture between the mother and the daughter company.

Referring to the Global Compact principles elaborated on in chapter 5.2, one of the points is the expressed concern of the environment. LMI points out, that though the company does not subscribe to the Global Compact, they see themselves as contributors to sustainable development. The informant explains that the energy provided by windmills is a very environmentally clean energy, and it is one that does not take long to produce and establish. LMI is proud to be able to promote and supply the Indian market with a safe and clean source of energy as an alternative to more usual sources of energy in India such as nuclear power.

Obviously, *Cheminova* is a company with commercial interests, and is moving slowly but steadily into the Indian market. Placing a local production unit in India is part of the company's strategy of growth. Thus moving in in the early 1990's was a matter of establishing a branch at an early start in what then was considered becoming a potential and prosperous market later. Like other companies interviewed for this thesis *Cheminova* also wanted to get into the Indian market in order to be well established when the Indian economy was more open to the West and to international corporations.

From the beginning, *Cheminova* has been very concerned with the working environment and well-being of their local employees. One of the first obstacles they encountered occurred during the first phase of building new units adding to the existing unit of the previously Indian owned company. For this task they employed many Indian workers, and these moved, as per Indian customs, the whole family with them as they stayed at the unit during the work phase. The children of the workers also roamed around the working field, and served different purposes as for instance selling tea, a job often seen done by small boys all over India. When *Cheminova's* Danish employees at the unit found out, they had this activity stopped, much to the disapproval of the families working there. In their eyes, *Cheminova* deprived the children the chance of making money and to serve a purpose as per the most traditional Indian way. The workers had to give in, *Cheminova* understood what this meant for the Indian workers, but had to stop the child workers that as per international standards is seen as exploitation of minors.

The previous example illustrates well the way *Cheminova* deals with the social responsibility. The company does not have a large scheme for CSR written down, but takes care of the problems as they occur. At the Indian units there is always a physician present and there is also conducted tests on the working climate with respect to clean air and safe environmental circumstances.

Cheminova India is also very concerned with safety in general, stemming from the awareness that their product are toxic.

At other times the Indian staff takes care of occurring problems in their own special way. One example Mr. Kurt Åbo gives is how the staff collects money for a colleague's child to go to hospital for cancer treatment. This is initiated by the local staff, and in the situations where it is a matter of paying a very expensive hospital bill, the managers of Cheminova India pays the bill, on behalf of Cheminova Denmark, as a loan to the employee, and he or she can pay the debt off in the coming years at no interest. This way, a social responsibility is present without certain regulations being written down.

Of course, in the example of the local employees collecting money for a colleague it has nothing to do with social responsibility from the company's side. Rather, it could be argued, Cheminova Denmark could show more responsibility if they took care of employees social security instead of leaving problems of this kind to the 'traditional cultural solidarity-factor' of the Indian employees.

Cheminova points out, that the exchange of knowledge moves two ways. Indian experts often visit Denmark to teach their Danish colleagues about the current initiatives going on in the Indian branch, as well as Danish engineers travelling to Cheminovas Indian office to host training programs. This is viewed by Cheminova Denmark as a sign of respect and good conduct towards it's Indian employees, but can hardly argued to be covered by social responsibilities codes.

There are other initiatives though, showing intentions from Cheminova Denmark to apply other social responsibility codes. They have for instance provided assistance, regarding maintenance of the the villages in the vicinity of the company's premises in India. The informant explains, that if Danish engineers visiting the Indian branch come to know about problems with, for example, a house that has collapsed during a storm or a flood, the engineers will provide assistance and small amounts of cash if necessary to repair a house. The explanation for this is, that Cheminova finds it important to be regarded as 'good neighbours' in the local area of their Indian branch. They find that by helping out in the surrounding villages they will gain respect and display good will. In this way, Cheminova is clearly viewing itself as the agents of development, whether the local Indian villagers see it the same way does not seem to concern the company. At this company no big schemes for development or education, but a vast amount of projects - orchestrated from Denmark as well as locally. Sort of a quiet, invisible but powerful effect and pool of initiatives

At *Lundbeck*, the Corporate Social Responsibility scheme covers all of the company. No separate CSR policy has been made for the branch in India, instead the the common guidelines of Lundbeck for CSR has been applied.

This approach has, according to the informant, been welcomed by the Indian staff, who has received Lundbecks social responsibility actions positively, and the company experiences a sense of

pride among the Indian staff for being employed in a company that ‘does the right things’.
(Lundbeck)

Apart from this, Lundbeck does not worry so much about all staff members awareness towards the mother company. It is important that the leading staff has a thorough knowledge and loyalty towards the main branch in Denmark, and then pass this knowledge on to the other employees.

Lundbeck does not test the work climate by handing out questionnaires or arranging interviews with the Indian staff. The reason behind this, Lundbeck explains, is that it is difficult to get honest answers from an Indian employee, since the tradition and culture is very different in Denmark, compared to India. An Indian employee will most likely express satisfaction when asked about his job, wage, manager, colleagues and other aspects of his job, and refrain from expressing a possible dissatisfaction in fear of getting fired. Therefore Lundbecks local managers observe the day to day work climate and Danish staff members visiting occasionally also observe when they visit, and in this way Lundbeck monitors the general satisfaction among their employees in the Indian branch, and by this escapes a risk of making the local staff insecure about their future at the company.

As a member of a foreign community, Lundbeck sees it as it’s responsibility to be visible in a positive way, for example by providing education about the locally produced medicines for Indian psychiatrists before they prescribe it to their patients.

Lundbeck also have a staff of approximately 85 so-called ‘doctor-visitors’, employees placed in different Indian metropolises whose job it is to visit physicians to present and introduce the Lundbecks products, for the purpose of acquiring new customers. Here is a big difference between the Indian employees and their colleagues in Denmark with the same job. In India, the doctor-visitors get around by rickshaw or on their own moped or bike, in Denmark they are provided with a company car. In India, the office work and accounting is carried out with paper and pen, the Danish staff get a computer for doing the same job. The reasons behind these differences is, says Lundbeck, that a computer in India will cost the same as an employee gets in six months, where in Denmark it costs about one third of one months pay. Lundbeck see a risk of tempting an Indian employee unnecessarily by providing him with such expensive equipment as a computer, but also regrets partly that this means they cannot treat the staff equally. It is easy to argue that apparently the regret is not bothering Lundbeck enough to make changes for their doctor-visitor employees. This is an obvious example of a huge difference in the way the company not only treat, but view, their Indian employees. Apparently the cultural difference between Danes and Indians is used as an excuse to treat employees unequally. Had Lundbeck subscribed to the UN Global Compact, this would have been a violation of the intentions of these guidelines.

KosanCrisplant have as stated above 15 local employees in their branch in India. As far as CSR policies, they do not have a set of rules especially for their local branches, but act according to each

countries' rules when hiring staff. In India the government laws protecting employees are therefore implemented, meaning that the proper medical insurance, for example, is provided.

When asked if there is a difference between being employed by a local Indian company and KosanCrisplant the informant adds several points of difference. First she mentions the economic bonus given to employees in 'good years', meaning a cash reward in years with success exceeding the expected.

Another difference is regular invitations to visit the the company in Denmark, for different Indian employees. Some employees have been offered training in Denmark for up to three months, paid by KosanCrisplant, and for these long stays the wife of the employee has also been invited. The company has an apartment in the city close to the company where the Indian visitors stay for free during the training, and at occasions the company has gifted a holiday trip in Europe for the employee and his wife at the end of the stay, as an extra bonus. While in Denmark, trips to major tourist sights are also provided, for the purpose of cultural exchange and better knowledge about the country the mother company belongs to.

This is al part of a scheme that KosanCrisplant is very concerned with; a close connection with all the foreign branches and the Danish company. It is vital to the company that the Indian employees represent KosanCrisplant in the best way, and this comes from a good knowledge of and respect for the company in general. To know how well the local employees are integrated and how satisfied they are with the Danish employer, the director of the Indian company has annual talks with each employee, just like it is custom in Denmark. There are also annual discussions with each employee about his or her wishes for possible new jobs and challenges in the company if they wish to.

It is safe to conclude, that KosanCrisplant have a lot of considerations about the way they act in India. The informant explains that though the Indian employees do not get the same days off for holidays, and the wages are lower than in Denmark, the company feels that with extra cash bonuses, Christmas gifts and good training programs, they still provide a very attractive working environment for their Indian employees.

8. Analysis

8.1 CSR implementation

From this research I find that not a single one of the companies I have interviewed and investigated have a set of regulations regarding Corporate Social Responsibility or are subscribers to the Global Compact principles of the United Nations. On this question, most interviewees reacted with a slight reluctance and hurried in explaining that they made sure to implement and follow all local rules as formulated by the Indian authorities. They also emphasised that their respective employees were

covered by the general social responsibility act implemented by the Danish mother-company, but did not specify what that included.

All interviewees explained that it is difficult to promote and implement Danish workers rights in India - or any foreign country for that matter - because of cultural differences. One of the points often raised is the matter of measuring the satisfaction of Indian employees with their job in the individual Danish companies, as it is practised in most Danish companies. Here it is often carried out in annual conversations between managers and staff for the purpose of testing the work-climate for the individual employees to see what improvements needed to be done. In India, it was argued during my interviews, it is difficult to carry out such investigations because it is not tradition to speak openly about possible dissatisfaction with the employer, the manager or the nature of the work in general. The Danish companies are afraid that they would never get honest answers, since the employee will be reluctant to express any complaints because he or she will be afraid of losing his or her job. Only one company in this investigation carries out regular, annual interviews with their employees, and according to the interviewee, with great success.

Mr, Thomas Bustrup from Dansk Industri is convinced that Danish companies are widely respected in developing countries when they relocate, establish a local unit or outsource. The reason is, he states, that Danish companies have a long tradition of treating employees with respect and dignity and have intentions of keeping the staff satisfied with their jobs. This comes from the fact, mr. Bustrup explains, that Danish companies often are created by a single person, caring a lot for his company and employees so that it keeps being a source of pride for the owner. For this reason he will continue to incorporate principles similar to those of CSR and Global Compact, and also promote these principles to cover the staff in the countries his company expands to. In the light of this it seems that there is a wide acceptance and view of Danish companies in India being representative agents of development. There is apparently a common notion, that these companies relocating to India are exporting the values culturally inhabited in Denmark with regards to social responsibility and that by merely creating jobs in a lesser developed country like India, they are contributing to the indian economy. Here it can be argued that social responsibility, and especially Global Conduct, is not a question of creating jobs or exporting Danish values, but a matter of actually treating the local employees according to the guidelines suggested by the United Nations, ILO and other organisations.

It seems that most Danish companies view themselves as followers of the Global Compact without having pledged directly to the principles or implemented them in their respective outsourcing programs. But from the interviews, it seems that they merely follow their own standards that do not always follow the UN standards. medical

As a final comment here, I regret not being able to interview the Danish company Novo, since they have a vast CSR scheme. I asked for an interview, but they informed me that they did not find their company profile relevant for this research.

8.2 Future of CSR policies

In Financial Times an article suggests how the CSR implementation can be carried out in the future. (Financial Times, 3.Jan, 2006: 10). Here it is described how a whole new structure of an Indian company has been very beneficial to both the company but indeed also to its employees. At Thenmally Tea Plantation, a part of Tata Tea, the former employees are now the new owners in a rare case of company buy-out. It started with Tata Tea wanting to sell out the plantation because the earnings were not so great as with other products, though the plantation produced high yields. But the potential third party buyers could not guarantee Tata to win assurances on job security and the environment, and therefore it was rejected. This resulted in Tata Tea pulling out all managers from the plantation and the plantation workers were left to manage it themselves. This ended in a disappointing output because of insecurity among the workers about the future of the company, and finally it was decided to sell the company to the employees, from tea-pluckers to managers. Thenmally Plantation is now owned by 13.000 shareholders, all former employees at the plantation.

The future is thus in the hands of these former employees as co-owners, and the transformation has had a successful outcome for all parties. This new structure has provided the 'sustainability' that Tata desired and that the plantation needs to survive in the 21st century.

Whether this above example can be attractive for TransNational Corporations to implement is to be seen in the future, but it could be a model to show how to make sure that the employees are loyal, satisfied and responsible, and that, not without significance, Corporate Social Responsibility is thoroughly implemented.

It is however important that the Global Compact initiative becomes more promoted world wide, and that more pressure is put on Trans National Corporations to follow the suggestions. It might even be necessary to turn the suggestions from merely suggestions to mandatory rules to be followed by all companies relocating, especially when they relocate in developing countries.

8.3 Concluding thoughts

It seems as if the companies interviewed here along with Dansk Industri view Danish companies as general *agents of development* in the neo-liberal sense. They have all mentioned the implementation of their own values regarding social responsibility as a fair alternative to Global Compact, and emphasise that their Indian staff is very satisfied with the conditions at the local unit, and moreover proud, according to the informants, to be working for a company that cares for the employees as Danish companies do according to the 'long tradition'. There seems to be no doubt that the

informants view their companies as exporters of values, originating from the semi-bias idea that Western values, and especially Danish values, are promoting better work conditions for their employees. The higher wages that these companies pay their Indian staff is also mentioned as being an attractive asset and enticement for working for a Danish company in India.

From the answers that came from the five companies in this investigation together with Mr. Bustrup from Dansk Industri, it seems fair to conclude that Danish companies not only view their efforts with implementing social responsibility as a success, but that the Indian employees actually are very satisfied with the conditions under which they are employed. Though none of the interviewees were able to inform about all implementations provided, they all emphasised that the general work-climate at the local Indian branches is of great importance for the mother-company. This stems from an awareness that the company directors being far from the Indian unit needs to keep a satisfied staff in order to trust that everything works as planned and that the staff has an extended sense of loyalty towards the Danish company.

The Danish companies investigated for this paper have decided to use alternative measures for implementing social responsibility in their Indian branches, in the sense that they all make use of the local Indian government rules for employees along with their own company policies. This has resulted in a conduct towards the Indian employees that is lacking at many points. For example I find it difficult to understand that none of the interviewees were able to answer whether or not the Danish company provides medical insurance. This is a crucial point in CSR and Global Compact, and yet it apparently does not concern the interviewees.

With regards to the theoretical framework for this thesis, I must conclude that the discourse among the investigated companies is more connected to the neo-liberal theory than to dependency theory. These companies clearly view their impact on the Indian employees as beneficial to both parts, and that they export values as well as provide job opportunities for these employees. It is solely viewed as a positive factor.

On the other hand, viewed from the dependency theoretical point of view, these Danish companies are not only modernising agents, they are the only agents, and they alone decide how the Indian branch is run. In some cases the Indian engineers' viewpoints and expertise are taken into account when appropriate, but the initiative to do so is still coming from the Danish mother-company. The Indian staff is completely dependent on the Danish companies to provide jobs, pay wages and improve the general work-climate, it is never an equal collaboration.

It has been surprising to me that the Danish companies in this research were not aware of or did not respond to the CSR directives provided by the United Nations or other organisations. The question remains whether TNCs are able to do well and do good at the same time. It is a fine balance

between making a profit that keeps it attractive for companies to stay in India on one side, for instance, and contain attractive conditions for the Indian employees on the other.

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Appendix : Questionnaire

1.Your company/ The company you work for has outsourcing activities in India, and you are in charge of these activities. What are the most central activities?

-Why India?

-Why outsourcing?

Dit firma/Firmaet du arbejder for har outsourcing aktiviteter i Indien, og du er med til at bestemme over disse aktiviteter. Hvad er de mest centrale aktiviteter?

-Hvorfor Indien?

-Hvorfor outsourcing løsningen?

2.How many Indian employees do you have in India?

-What do they primarily work with?

-What are their positions?

Hvor mange indiske ansatte har I i Indien?

-Hvad arbejder de primært med?

-Hvad er deres stillinger?

3.How many Danish employees does the company have in India?

-And what do they primarily work with?

-What are their positions?

Hvor mange danske ansatte har firmaet i Indien?

-Hvad arbejder de primært med?

-Hvad er deres stilling?

4.Has this division proved beneficial for your company?

-Or are you considering changes in the structure?

-If so, why? And in what way?

Har denne fordeling vist sig nyttig for firmaet?

-Eller har I overvejet ændringer i strukturen?

-Hvis, hvorfor? -Og hvordan?

5.There are contesting views on outsourcing from the west to the east,

-Do you see outsourcing as a way to contribute to development?

Der er divergerende syn på outsourcing fra vest til øst,

-ser du outsourcing som en måde at bidrage til udvikling?

6.Or do you see it as an option for your company, and Danish economy in general to survive in a globalized world?

Eller ser du det som en mulighed for dit firma, og den danske økonomi generelt, for at overleve i en globaliseret verden?

7.Have you thought about what kind of impact your company's activities can have in India?

-Positive?

-Negative?

Good replacement for local regulations? Is your CSR a better alternative?

Har du tænkt på hvilken indflydelse dit firmas aktiviteter har i Indien?

-Positive

-Negative?

-Har i et godt alternativ til de lokale regulativer?

-Er Jeres CSR et bedre alternativ?

8.Does your company have a strategy on corporate social responsibility concerning the Indian part of your company?

Har Jeres firma en strategi for CSR i forbindelse med den Indiske del af Jeres firma?/Jeres samarbejdspartnere i Indien?

9.How much impact does this policy have on your strategies in India?

Hvor meget indflydelse har denne strategi på Jeres samarbejde i Indien?

10.Do you have an idea of how your Indian employees have received your company and its policies?

Har du nogen idé om hvordan Jeres Indiske ansatte har modtaget firmaet og Jeres politik?

11.How important is it to you how well the Indian employees are integrated in the mother-company?

Hvor vigtigt er det for jer at de indiske medarbejdere er integreret i moder-selskabet?

12.Do you conduct surveys among the Indian employees to test the workclimate in the Indian branch?

Foretager I undersøgelser blandt Jeres indiske medarbejdere for at teste arbejdsklimaet i Jeres Indiens afdeling?

CSR:

13.Are the Indian employees covered by medical insurance?

social security?

work protection?

CSR:

Er de indiske medarbejdere dækket af sygdomsforsikring?

socialsikkerhed?

arbejdsbeslyttelse?

14.Would you say the workers conditions are the same in Denmark as in India?

Vil du sige at medarbejdernes forhold er de samme i Danmark som i Indien?

15.If not, what are the major differences?

Hvis ikke, hvad er så de største forskelle?

16. Have you been concerned with these differences?

Har disse forskelle bekymret Jer?