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When Principles pay: Tata Power Plant Mundra

Amit Gupta

Associate Professor

*Organisational Behaviour & HR Management
Indian Institute of Management Bangalore
Bannerghatta Road, Bangalore – 5600 76, India*

Ph: 080-26993322

amitg@iimb.ernet.in

Vasanthi Srinivasan

Associate Professor

*Organisational Behaviour & HR Management
Indian Institute of Management Bangalore
Bannerghatta Road, Bangalore – 5600 76, India*

Ph: 080-26993046

vasanthi@iimb.ernet.in

Abstract

The Tata Power – Mundra case describes the issues and challenges facing the company in adopting a sustainability strategy for one of their Greenfield power project site. The case throws light on the company’s modus operandi in integrating sustainability issues right from the project’s bidding stage till its successful implementation. Tata Power had incorporated the technical and commercial feasibility elements into the project to meet all the requirements laid down under the Principles of Community Engagement as prescribed by the Group, yet each Greenfield site customizes its approach to the project rather than adopting a standard “one solution fits all” approach.

In the case of the Mundra project, the major issues that were encountered in the land acquisition process was the loss of grazing land for local communities, which was addressed by establishing a charitable trust for fodder supply. This was preferred to providing land given its unsuitability in supporting grazing. The setting up of a bio gas plant and other community institutions as part of building the ecosystem is of particular relevance. Some of these interventions were not planned, but emerged based on the local contextual factors. The unintended outcomes of this intervention were the substantial increases in the supply of milk and the selling price of milk thus enabling the greater community’s acceptance of the Group’s CSR initiatives. This holistic approach towards public private partnership, in establishing the Trust by fund raising and government support, is an example of a model that could be relevant for countries in transition and emerging economies.

This case attempts to describe in detail the implementation strategy of Tata Power in its Mundra project. The case also demonstrates the need for companies to engage responsibly with communities in particular when infrastructure requires acquisition of large land holdings.

Keywords: Tata power, UMPP, Greenfield project, CSR, International funding,

When Principles pay: Tata Power Plant Mundra¹

As Colonel Tewari, Head of CSR, Tata Power pulled out his laptop to check on the presentation that he was going to make to the Jury of the Indian CSR Awards, he was a little nervous. This was the first time that the Ultra Power Plant at Mundra was being nominated for the award. Tata Power had bagged numerous awards for safety, environmental management and community development in the past. The nomination and presentation to the Jury was special as it was the first time for the organization.

Colonel Tewari had been involved in the Mundra Project since 2007. An army veteran with extensive experience in disaster management and rehabilitation, at Utrarkashi, Chamoli , Orissa and Bhuj disasters in India, his interest and prior experience in environment and resource based conflicts in Asia, USA and Australia and in bio-diversity conservation, waste land development made Mundra a special project. It gave him an opportunity to integrate his life experience and interest in to the work.

Two weeks ago, when he was informed by the Chamber of Commerce, that the Mundra project had been shortlisted for the award, and that he had to make a presentation to the Jury, he had spent a lot of time wondering what should be the content of the presentation. Out of 40 eligible organizations, only five had been shortlisted for presentation to the Jury. The eminent Jury consisted of the CEO of a large MNC Bank, a Ramon Magsaysay award winner, a reputed journalist, a noted environmental activist, a senior renowned academic and the Chairman of a large reputed Indian Company. Each member of the jury was a well known expert in his/her field and enjoyed a great deal of credibility in their personal and professional lives. He wondered what aspects of Tata Power Mundra project would be of interest to this diverse jury.

As he was loading the presentation, the Jury members arrived.

Chairperson of the Jury: As all of you are aware, we have shortlisted five companies for the award. Congratulations to each one of you!! We have gone through the documents provided by you. What we would like to request you to focus on is the manner in which you conceived and implemented your CSR agenda? Let us begin with the Tata Power, Mundra project which is a Greenfield site. Colonel Tewari, Head of CSR will make the presentation.

¹ **Acknowledgements:** All information for this case has been provided by Tata Power. Other references are provided in the case. We are grateful to Colonel Prakash Tewari (Retd.), Mr. A Hanamshet, Mr. Rahul Shah, Mr. Ashok Sethi, Mr. Vinay Mittal, Mrs. Anjali Wazir, Mr. Vivek Vishwasrao, Mr. Partho Mukhopadhyay, Captain Pant (Retd.), and other employees of Tata Power for giving us access to the organization, providing us with the material for writing this case, and spending two days of their valuable time with us answering our many questions. We thank the IICA -- German Development Foundation (GTZ) project for giving us a generous grant that made this case writing possible and Ms. Monica Ramesh from the Corporate Social Accountability Division, Association For Stimulating Know How (ASK) for administering the grant and for all the support in the project.

Professor Amit Gupta and Professor Vasanthi Srinivasan from Indian Institute of Management (IIM) Bangalore, Bannerghatta Road, Bangalore-560076, India, wrote this case. This case is meant for discussion of various management issues. It is not meant as an illustration of effective or ineffective management. It is intended to bring out the complexity of managing Corporate Social Responsibility (CSR). It is not meant to make a value judgment.

Colonel Tewari: Thank you Sir. It is an honor and a privilege for me to make this presentation to the distinguished Jury. For those of you who may not be aware, the Government embarked on the Ultra Mega Power Projects (UMPP) to meet its power generation targets of 100,000 MW by 2012. UMPP under tariff based competitive bidding route, was seen as a solution to meeting the needs of power generation for the country. In 2006, the government of India invited bids for the development of UMPP's and the Special Purpose Vehicle for the site at Mundra in coastal Gujarat was created namely Central Gujarat Power Limited. Tata Power was one of the bidders for this UMPP.

Guided by the Founder Mr. Jamsheji Tata's vision that 'clean, cheap and abundant power is one of the basic ingredients for the economic progress of a city, state or country', Tata Power was started in 1911 as the Tata Hydroelectric Power Supply Company. Over the years, Tata Power had an illustrious history with many accomplishments to its credit. It commissioned India's first power plant – the hydro-electric station in Khopoli (72 MW) in 1915, the second hydro station in Bhivpuri (75 MW) in 1919 and the third one in Bhira (300 MW) in 1922. Tata Power was the largest integrated private power company in India and the most trustworthy power supplier to Mumbai.¹

At Tata Power, before the bid is put forward, the Business Development (BD) department creates a cross functional team to evaluate whether Tata Power would bid for the project. The same team does the preparation and submission of all documents related to the bid. Besides technical feasibility and commercial feasibility, BD team has to ensure that the project meets all the requirements laid down under the Principles of Community Engagement as prescribed by the Group. This team consists of representatives from the technical, finance, business development and CSR departments. Within Tata Power, the Corporate Social Responsibility (CSR) and Rehabilitation and Resettlement (R&R) are merged as a single function at the corporate level. The CSR Head is a core member of the Cross-functional Team. The CSR department provides critical inputs on the site location for a new project. Representatives from the CSR department visit the potential project site and assess the likely issues and challenges, risks and opportunities that might arise in land acquisition and rehabilitation, especially in relation to ensuring adherence to Tata Power's Principles of Community Engagement and the law of the land. According to these Principles, project sites should minimize the physical and economic displacement of people. Irrigated agricultural land and tribal lands are not acquired.”

As part of the initial evaluation of the project, we did a Rapid Social Impact Assessment (RSIA), a Rapid Environmental Impact Assessment (REIA) and a Rapid Marine Environment Impact Assessment (RMEIA). The Rapid Marine Environment Impact Assessment (RMEIA) was an additional assessment done since the project site was located near the coastal area. As per the results of these assessments and inputs from the cross functional team, it was decided to bid for the project.

Jury member 2--Ramon Magsaysay award winner: One of the challenges to the infrastructure development in a country like India is integrating the social impact and the economic impact. We have so far heard two other company presentations. So far much of what you have said sounds similar to their presentation.

Colonel Tewari: I may not be able to make any comments on other presentations. The significant difference is the Tata Power Principles of Community Engagement that is the bedrock of all our initiatives.

Our Corporate Sustainability Policy is as follows:

- TATA Power will continue to serve its communities and society in general with special emphasis on SC/ST community towards improving the quality of lives
- We will constantly restore and renew ecology, bio-diversity and wherever necessary conserve and protect wildlife, particularly endangered species
- We will also strive to deploy sustainable technologies and processes in all our operations, use scarce natural resources effectively throughout our facilities
- We encourage our employees to serve communities by volunteering not only by sharing their skills and expertise but also innovate ways in order to reach the under-served
- The management ensure managerial and resources support towards meeting the goals of corporate sustainability

The CSR plan flows from the Balanced Scorecard (BSC). BSC has a Strategic Deployment Matrix (SDM) that is linked to the Key Result Areas for each location and person. The CSR plan is based on the needs of the people as per the triple bottom line approach. The CSR head of the location formulates plans that are approved by the Corporate CSR department. The CSR Head of respective locations are responsible to ensure execution of these plans. Performance evaluations and salaries are based on achievement of the KRA's.”

As per this approach, all CSR activities should:

1. Add economic value and factors in terms of energy management , natural resource management and improve the income generation of the communities
2. Harmonize the environmental factors i.e., environmental conservation/restoration/protection
3. Build the social capital in the community through health, education and infrastructure development

A graphical depiction of the triple bottom line approach is given in Figure 1.

We have a sustainability council that has representation from CSR, HR, project heads, environment, safety, and other departments. All CSR plans are reviewed every month in this Council. When we say harmonizing the environmental factors, we are looking at afforestation, arboriculture, rain water harvesting, ground water rejuvenation, green belt development, habitat conservation, protection of global endangered species and pollution control. Safety, Health and Environment (SHE) Department looks at environmental issues inside the plant whereas CSR handles the environmental/biodiversity/social issues outside the plant.

Annual Business Plans are formulated for various locations and activities have to be carried out in each of these three areas. Each CSR head of the location formulates plans that are approved by the Corporate CSR department. The CSR Head of respective locations are responsible to ensure execution of these plans. Everything is drilled down to the last person on what activities they are supposed to do for every month.

Jury Member 2 (an eminent academic)

Is this a one size fits all approach? Are there differences across projects?

We have a sequence of steps for CSR Strategy for Greenfield Projects. When we go in, we just don't implement programs. We are listening and learning from the local community. We have a process where we spend time understanding their needs, and based on our understanding we do a prioritization of programs. We then do networking and partnering with the local community, develop a community development plan and implement. We have a process where we also sensitize and involve our employees in the CSR issues. There are three phases to this process:

1st Phase – Confidence building measures took us about two months time. During this period the focus was on

- Creating a conducive environment for land acquisition
- Understand the local community
- Initiate Civic actions
- Fraternalization with the community
- Identifying Intervention techniques

2nd Phase – Establish a foothold period takes about 2-3 months. During this period:

- Camp office was set up
- Rapid Social Impact Assessment (RSIA) was done
- Rapid Environmental Impact Assessment was done
- Need assessment was done
- Livelihood / capacity building activities conceptualized
- R&R / Land acquisition (package disclosure)

3rd Phase – Firming process takes about 3-4 months. The focus during this stage is on securing commitment for the project from the community. This entails

- Opening dialogue and communication
- Public hearing
- Acquisition of land and committee for R&R
- Boundary wall construction
- CSR activities as per need assessment (Projects / programs)

The process flow chart for the community engagement is given in Figure 2. The implementation strategy that guides CSR activities in Tata Power is as follows:

- Programs to be linked to government funding
- Enlist people's participation.
- Meet the greatest need with the greatest speed
- The programs should reflect the policy of the company
- Respect the religious and cultural sentiments of the people
- Tata Power to emerge as leaders in energy at national level
- Programs at project level initially covering 5 km radius
- After built up of CSR organization and expertise the area will be expanded (5 years time frame)

- Tata Power will seek International funding after 3 years
- Programs to be implemented through registered society ie Tata Power Community Development Trust, (TPCDT)
- Local / international NGO's / consultants will be used for need assessment only
- Direct interaction and intervention by own organization
- Assistance of other Tata Trusts (TCRDS / TSRDS / TMRDS) assistance will be taken on a need basis
- Tata Power will set up its own technical/polytechnic training centre for feeding candidates for power sector

“To the extent possible, we try to tie our programs to the Government of India funding to be able to leverage on our own limited resources and create a greater impact. To be able to execute the diverse programs required as a part of the Community Development Plan, we have to work with a number of partner NGO's because we don't have all those capabilities. We also take help of other Tata Group Trusts who might already be working in the area. Tata Chemicals and Tata Steel Trusts have been involved in these activities for a very long time and they already have a well defined structure. If they are working in an area where we also have an interest, we will also outsource some of the work to them depending on their areas of expertise.” A detailed list of community engagement projects, Government funding schemes and the partners associated are given in Annexure 1 and 2 respectively.

Jury Member 3 (journalist)

In the Mundra site, what were the unique elements that were introduced? How did your community engagement plan differ?

The implementation plan for CGPL Mundra was as follows:

IMPLEMENTATION APPROACH



One of the major issues that came up in the land acquisition process was the loss of grazing land of the local communities. Due to acquisition of the wasteland for the project, two villages had problems with a decrease of the grazing land.

The details of the grazing land lost were as follows:

Sr. No	Details	Tunda-Vandh	Mota Kandagra
1	Total Gauchar Land in Village	157 (Ha)	99(Ha)
2	No of cattle dependent on above mentioned Gauchar as per official norm of 16 Hectare for every 100 cattle	975(Ha)	619(Ha)
3	Total Gauchar Land Allotted to CGPL	98 (Ha)	37 (Ha)
4	Balance Gauchar Land remaining with Gram Panchayat	59 (Ha)	62 (Ha)
5	Percent of Total Gauchar allotted to CGPL	62%	37%
6	Total cattle, dependent on Gauchar, as per latest house to house survey	664	2119
7	Fodder Supply arrangement done by CGPL	850	2119

As the land was very arid and saline and could not support grazing for the cattle, both villages agreed to have a fodder supply arrangement rather than provision of land as best option.

Fodder Supply Arrangement was initiated for two villages by registering a Charitable Trust. The construction of the fodder supply centre was done by Tata Power. Tunda Vandh Gauseva Charitable Trust (TVGCT) was registered in consultation with the villagers. CGPL is currently the funding organization for the fodder supply. The Trust will be managed and run by the Village

Trustees. The fund raising activity for the Trust will be taken over by the villagers for sustainable development of the trust. There will also be a bio gas plant and other community institution as part of the gaushala. The result of this activity has been that the production of milk has increased substantially and the selling price of milk per litre has increased. This is a holistic approach towards Public Private Partnership to establish the Trust by fund raising and Government support. This is an example of the model that could be replicated by other companies.

Jury member 4:

One of the patterns that I have noticed is that in multi-partner programs, evaluation often suffers. What are the mechanisms that you have to review and evaluate progress?

“After the implementation is done, we get feedback from the volunteers and also have the Community Satisfaction Index (CSI). CSR is measured in two ways – an internal assessment and a third party assessment. The third party assessments are done by external examiners and auditors of the Business Excellence process. The other external agency that does assessment based on the socio economic parameters for us is the Tata Institute of Social Sciences (TISS). They do an assessment at the end of each year and give a report for the entire area. We get a very accurate assessment of how our initiatives have been deployed through this report.” An excerpt of the report is presented in Figure 3. In monitoring and evaluation, there are reviews every month by the Managing Director, Executive Directors and Vice President (Human Resources).

To conclude, I would like to quote my colleague Mr. Vinay Mittal, who often says, “Tatas give free hand in two things -- environment and social and community issues. I might not be able to get more resources for my project, but if I tell that a thing has to be done for environmental or social and community issues, no questions will be asked.”

Thank you.”

Questions for discussion:

What are the corporate responsibility dimensions in infrastructure development projects? How much of this is generic across the sector?

What are the key mechanisms and processes used by Tata Power to execute CSR? How do the structures and processes within the organization enable effective implementation? Would other organizations be able to emulate this easily?

Figure 1: CSR: The Triple Bottom line approach
 (Source: Tata Power documents used with permission of Tata Power)

CSR : THE TRIPLE BOTTOM-LINE APPROACH

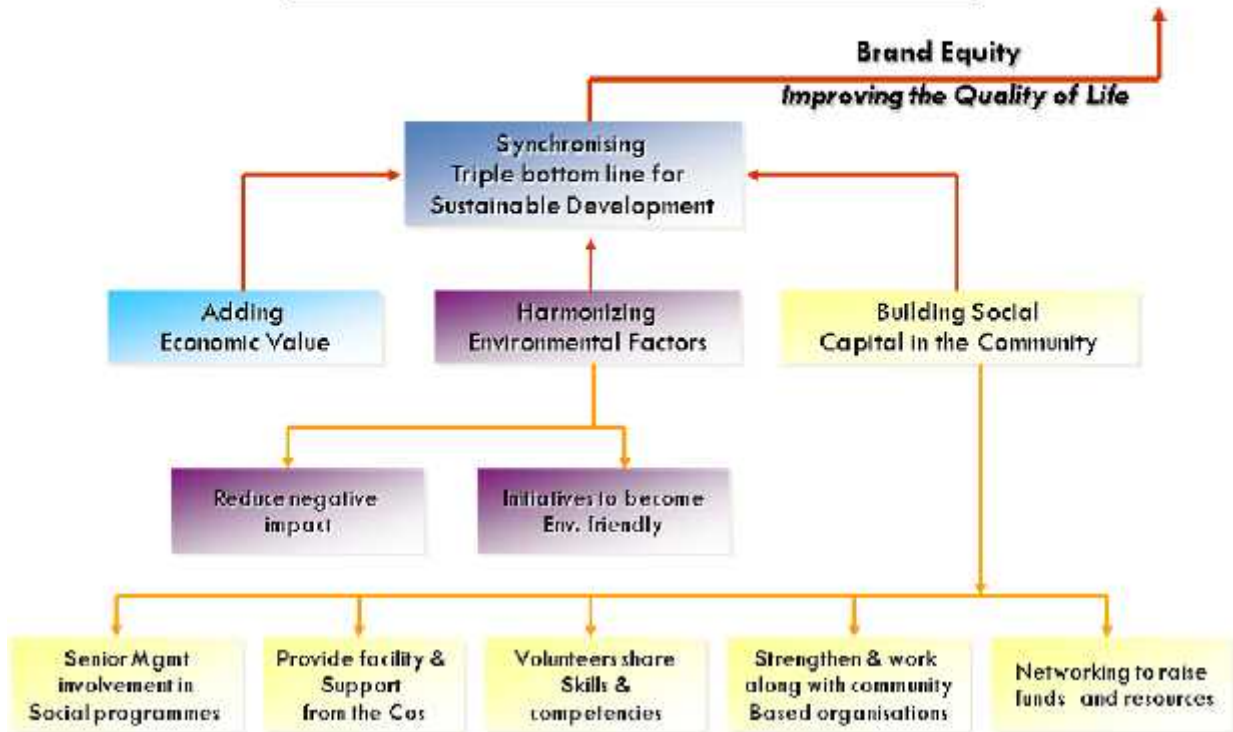


Figure 2: Process flow chart for community engagement
 (Source: Tata Power documents used with permission of Tata Power)

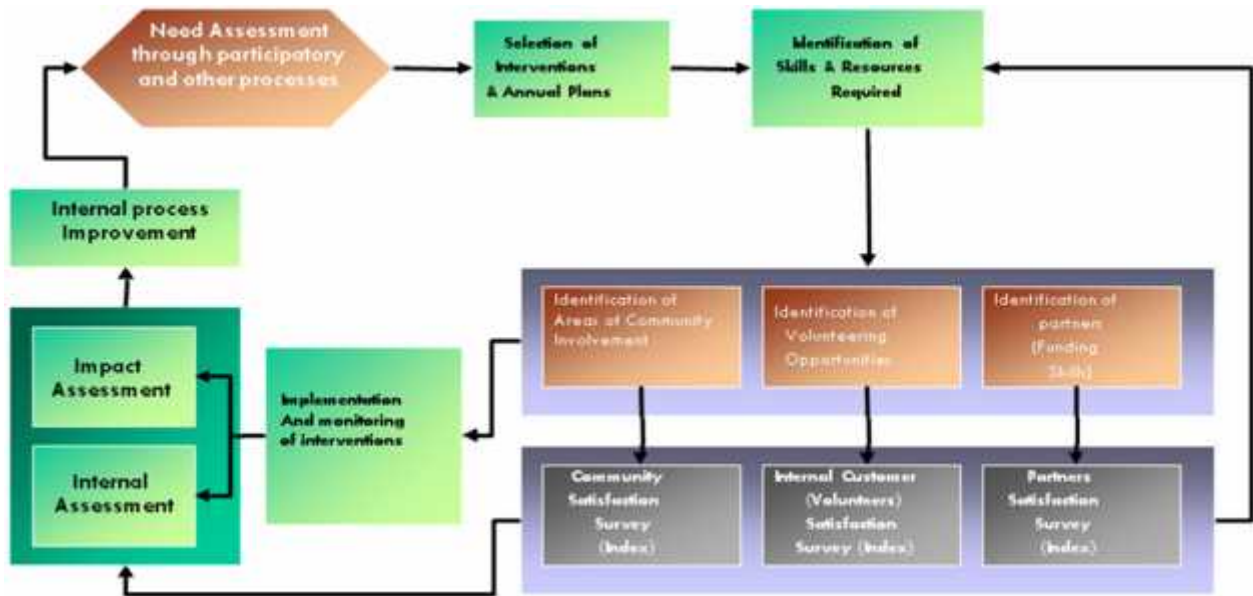


Figure 3: Community Satisfaction Index – Performance scores of Tata Power and all other agencies (including Government) across the thrust areas

Thrust areas	Performance Scores		Highest Performance	Relative Performance		CSI	
	Tata Power	Other agencies		Tata Power	Other agencies	Tata Power	Other agencies
Energy	-	25.0	25.0	-	1.0		
Health	22.8	21.5	22.8	1.0	0.9		
Education	-	18.4	18.4	-	1.0		
Infrastructure	44.0	41.6	44.0	1.0	0.9		
Income Gen	28.1	0.0	28.1	1.0	0.0		
Environment	10.0	44.9	44.9	0.2	1.0		
*CSI						26.7	26.2
Relative Performance Index (RPI)				0.74	0.82		

* CSI is not computed for each thrust areas, as it is the weighted average of the Performance scores.

(Source: Report on Corporate Social Responsibility Audit of Tata Power submitted by TISS on 1 April, 2010, Tata Power internal company document used with permission)

Annexure 1: Some of the specific programs that may generally be taken up at any location are as follows:

(Source: Tata Power documents used with permission of Tata Power)

Energy conservation

Renewable energy sources

- wind
- hydro
- bio energy
-

Natural resource management

- Integrated watershed development
- Integrated agriculture growth program
- Water & sanitation management
- Animal husbandry development
- Integrated pond management program
-

Environment conservation program

- Afforestation
- Aboriculture
- Protection of endangered species
- Bio diversity conservation
- Wet lands
-

Income generation

- Establishment of self-help groups
- Rural entrepreneurial development program
- Handicraft development program
- Vocational training
-

Health, education & infrastructure

- Intensive family welfare program
- Aids awareness
- Innovative teaching methods
- Vision 20 / 20 program
- Literacy drive
- Sanitation
- Infrastructure

Annexure 2: Some of the Government of India Schemes that Tata Power seeks to leverage are as follows:

(Source: Tata Power documents used with permission of Tata Power)

- **Ministry of Agriculture**

- Post Harvest Technology (PHT)
- Mission on Cotton
- Farm Water Management for increasing crop production
- Technical Mission on Oilseed and Pulses
- Natural Disaster Management Program

- **Ministry of Rural Development**

- Drinking Water project (DWP)
- Rural Infrastructure Development Fund (RIDF)
- District Rural Industrial Project (DRIP)
- Rural Entrepreneurship Development Program (REDP)
- DWSDP/IWDP/DDP
- WASMO
- NABARD

- **Ministry Of Water Resources**

- Swajal
- CGWB

- **Ministry of Rural Development**

- Swarnjayanti Gram swarozgar Yojana (SGSY)
- Rashtriya Mahila Kosh (RMK)
- Small Scale Industries Development Bank of India (SIDBI)

- **Ministry Of Environment & Forest**

- Environment Research Promotion
- Ecosystem Research Scheme
- National Afforestation Ecological Board (NAEB)
- Assistance to Botanical Gardens (BSI)
- Environment Education
- National Environment Awareness Campaign
- Environment Information Centre (ENVIS)
- Zoological Survey of India (ZSI)
- Botanical Survey Of India (BSI)
- Wild Life Institute Of India (WII)

- **Ministry of HRD/ Central Social Welfare Board**

- Condensed Course for Education of Women
- Vocational Training Program for Women
- Awareness Generation Program
- Support Services
- Swayam Sidha (IWEP)
- Swadhar (Women in Difficulty)
- Education for Women Equality

Endnotes

ⁱ History: Our Legacy, Source: <http://www.tatapower.com/sustainability/legacy.aspx>, accessed on 28 February, 2010.