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ETHICAL STRATEGY APPROACH TO PROFIT MAXIMIZATION – A STUDY OF TATA TEA’S ‘JAAGO RE’ (WAKE UP) CAMPAIGN

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ABSTRACT

Conflict between economic interests and ethical objectives in business operations has been quite common since Drucker clearly introduced the concept of Corporate Social Responsibility in 1950s. (Drucker, 1993). Also a lack of empirical confirmation of a positive correlation between the two different interests has also been an underlying reason. Lane (1991) has developed an “ethical strategy” approach which considers importance of converging economic interests and ethical requirements in business based upon both social welfare and profit maximization point of views. This paper focuses on the Tata Tea – Jaago Re advertisement campaign in the light of Lane’s ethical strategy to emphasize the positive influence of ethical business practices on profit maximization to illustrate the case in point. The paper concludes that an ‘out of the box’ approach of Tata Tea as a catalyst for social awakening has resulted in the convergence of economic and ethical goals.

Keywords: Jaago Re campaign, Lane’s ethical strategy, Profit maximization, Strategic ethics management, Tata Tea,

INTRODUCTION

Constantly changing competitive environments make it imperative for business organizations to find new methods to meet competition. Differentiation based on product quality, more services associated with marketing or lower prices is no longer effective as most of the products are identical due to technology and better educated customers. This competition puts pressures on company leaders to remain profitable and to show a good return to stakeholders. Often this pressure can result in unethical decisions being made in order to deliver positive results. When this occurs it usually results in a pattern that gets passed down through the organization.

Ethics could be seen as a constraint on profitability. This view indicates that ethics and profit are inversely related (Bowie 1998). There are probably times when doing the right thing reduces profits. A more positive view, however, is that there is a positive correlation between an organization’s ethical behaviors and activities and the organization’s bottom line results. In fact, a reputation for ethical business activities can be a major source of competitive advantage. High standards of organizational ethics can contribute to profitability by reducing the cost of business transactions, building a foundation of trust with stakeholders, contributing to an internal environment of successful teamwork, and

maintaining social capital that is part of an organization's market-place image.

The link between ethics and profitability has been studied for several years. A study summarized 52 research projects examining the correlation between ethics and profits (Donaldson 1979). The results were encouraging for those supporting a positive linkage between the two variables. Of the 52 studies examined, 33 studies indicated a positive correlation between corporate ethics programs and profitability, 14 studies reported no effect or were inconclusive, and five indicated a negative relationship. Similarly, in a meta-analysis of 82 studies, Allouche and Laroche (2005) found conclusive evidence that corporate social responsibility has a positive impact on corporate financial performance (with effects being strongest in the UK).

Emergence of strategic approach to business ethics and lane's strategy

Under the current environmental changes of global business ethics, strategic approaches to business ethics have emerged which began with Drucker's concerns of influences of business decisions on ethical business behaviors in the 1950s (Drucker, 1993). Drucker (1993) first connected business decisions to ethical business conducts and corporate social responsibilities. This means that business ethics must be considered the same way project profitability is seriously considered by managers. Second, he implies that business ethics must be continuously considered in the entire operating duration where continuous business decisions are required.

Lane (1991) extended these two points made by Drucker as a strategic approach to business ethics. Lane (1991) pointed out a positive correlation between level of business ethics and degree of time horizon for profit. Lane's strategic approach (1991) has been defined as "ethics strategy". The ethics strategy considers the importance of converging the economic interests and ethical

requirement in businesses based upon both social welfare and profit maximization point of views.

METHODOLOGY

This is a conceptual and theoretical paper and it relies on secondary sources for its data. The data has been collected from the official websites of Tata Tea and other sources which have been cited. A number of research papers have also been referred.

Brief history of Tata Tea

Tata Tea is a leading player in the global beverages market with significant presence in over 40 countries. From being a plantation business, it has transformed itself into a key player in the branded tea segment. Tata Teas operations spans the entire value-chain in tea, including research and development, tea cultivation, manufacture of black and instant tea, blending, packaging, branding, marketing, sales and distribution.

Tata Tea's origins lie in a UK-based company, James Finlay, which played a vital role in the development of the tea industry in India starting in the 1850s. In 1964 Tata and James Finlay entered a joint venture to form Tata Finlay and not long after, in 1976, Tata Finlay took over the production and marketing operations of James Finlay. Tata went on to acquire the entire ownership by 1983 giving birth to Tata Tea. (Chowdary et al, 2009)

The challenge that lay ahead was for Tata Tea to brave the fierce competition from the Hindustan Unilever brands, Brooke Bond and Lipton. It devoted its advertising efforts to emphasizing the quality of its tea and how it controlled the entire value chain to ensure that quality. It devoted its investment efforts to expanding its manufacturing facilities in India and Sri Lanka, and establishing subsidiaries in US and UK. Then in 2000 it acquired the British giant Tetley Tea, thus moving to the global level as the second largest tea brand in the world. Along with operational synergies,

Tata Tea could now also fall back on Tetley's expertise and distribution facilities, worldwide. (Chowdary et al, 2009)

Tata Tea continued to communicate various functional properties like freshness and taste. "Actual freshness" (Asli Taazgi) and "Say no, regret later" (Na kahoge toh pachtaoge) were some of the slogans that portrayed the tea as an energy booster and refresher.

In a bid to target customers from all regions and stratas of society, Tata Tea's product/ price portfolio comprised tea for each segment. This entailed innovation and the regular introduction of new flavors and new look products such as flavored tea under the Tetley brand in 2003, sold with the ad line "A twist in your tea, a twist in your life" (Chai mein twist.... Life mein twist).

By the mid nineties, top management felt that there was a need for a combined marketing strategy covering all its national brands- Premium, Gold, Agni and Life, which could promote the mother brand as a whole. They seized upon Cause-Related Marketing (CRM) which had taken off in the US in the 1980s. In CRM a corporation allies itself with a non-profit social organization, typically by donating receipts from sales to the non-profit. In this sort of alliance, the corporation builds brand image while the non-profit increases its funding. (Chowdary et al, 2009).

The Ethical Strategy of Tata Tea

Moving away from positioning tea as just a revitalizing drink and instead stressing social responsibility, Tata Tea wanted to also target the young Indians. In the light of Lane's Strategy,

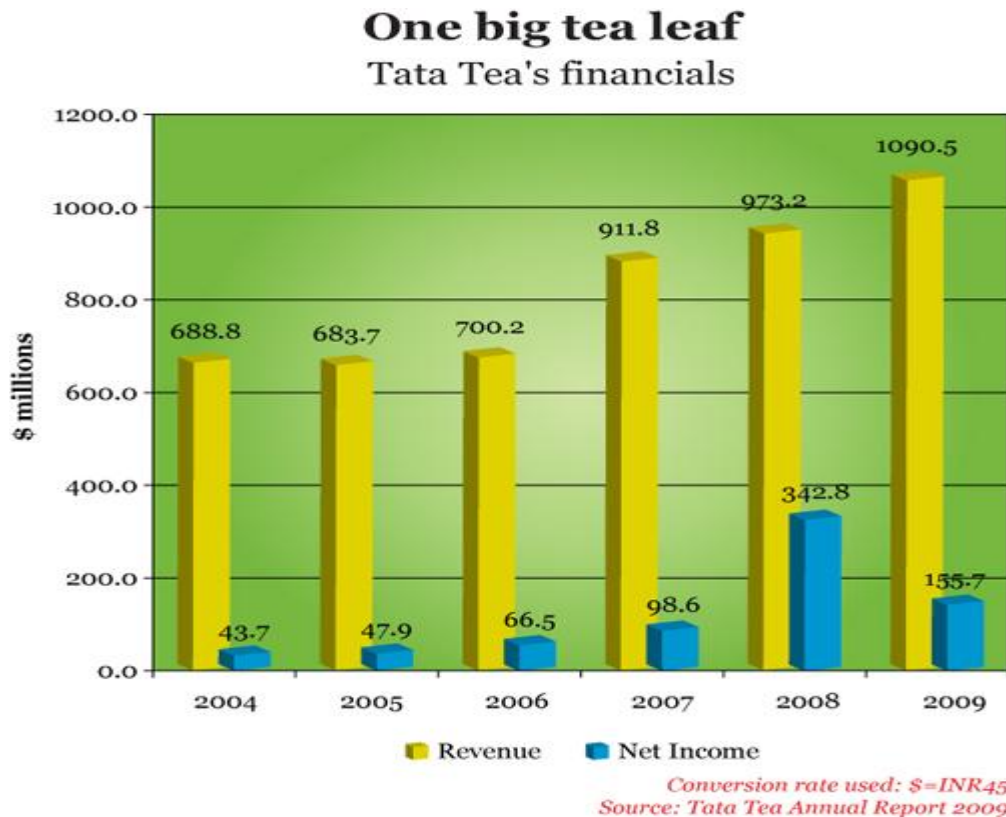
Tata Tea can be stated to have positioned itself as a catalyst for social awakening and increasing civic consciousness, exemplifying the alignment of its business with social causes. As a result, in a short span of time, Tata Tea has gone from owning only 3 per cent of market share (1980s) to becoming the number one tea brand in India.

To conceptualize the idea Tata Tea hired the advertising agency Lowe Lintas. The agency came up with the Jaago Re! campaign and its theme "Every morning-don't just get up, wake up" (Har subah sirf utho math- Jaago Re!). The slogan raised in a memorable way the idea of social awakening. (Chowdary et al, 2009)

A series of 10-second advertisements brought to the forefront several problems- corruption, improper roads, responsibility of political leaders, role of police. The first commercial, for example, featured a young man investigating the credentials of a political leader involved in an election campaign. The idea was to connect with the consumers on emotional issues, to get young people fired up about questioning the system. Given the target group, the ads were promoted using media favored by young people. The Internet was foregrounded- social networking sites and blogs, and a website, www.jaagoindia.org, promoted the campaign.

The campaigns were a huge success and helped drive Tata Tea's sales from approximately \$910 million in 2007 to over \$970 million in 2008. Seeing the monetary benefits and increase in brand loyalty, Tata Tea decided to take the campaign further and focus even more on social issues.

Figure 1 – Financials of Tata Tea after adopting the ethical strategy approach



The second phase

Thus was born the second phase of the campaign, which focused on the Indian general elections (Jaago Re! One Billion Votes). For the campaign to be powerful, it needed to penetrate down to grass root levels - to achieve this Tata Tea partnered with Janaagraha, a Bangalore based NGO.

The aim of the campaign was to alert citizens to their voting rights. Besides bringing out the votes, the campaign also guided the youth through the voting process. A website, www.jaagore.com, was set up to enable registration for voting. Several ads were designed in this phase, which urged the citizens, especially young ones towards a transformation of Indian society through voting. The most popular ad featured the message “If you are not casting your vote on Election Day, you are sleeping” (Election Ke din agar aap vote nahin Kar

rahe ho, to aap so rahe ho). (Chowdary et al, 2009)

That ad helped pull over 600,000 people towards the website to register for voting. IT giants with large numbers of young employees such as Infosys and Wipro supported the campaign; most of their employees registered for voting through Jaago Re. The campaign also generated support from Bollywood celebrities.

Tata Tea’s market share increased from 19.4% in 2007 to 20.6% in 2008. The sales, brand loyalty and increase in market share clearly showed that these social marketing campaigns were well received by the customers.

Insights from the Tata Tea Case Study

The analysis of this case throws up some key insights on the positive influence of ethical strategies on profit maximization. These insights

though general in nature, can be applied to a wide spectrum of businesses and industries.

Integration of corporate values with the business model

The house of Tata's is well known for their CSR initiatives dating back to 1868 when the foundations of this vast business empire were laid. The business model of the organization has always been enmeshed with the vision, mission and values of the Tata group. There has always been top management commitment towards CSR and other philanthropic initiatives ingraining it with a value that has percolated down to the lower echelons of its employees. The pursuit of business excellence has become the norm and there is a focus on innovation. What have not changed are the Group's emphasis on ethical business practices and its commitment to the communities in which it operates

1. In-depth understanding of the brand

The intent of the Jaago Re ad campaign was to have a unified message for the four brands under the Tata Tea umbrella -- Tata Tea Premium, Tata Tea Agni, Tata Tea Gold and Tata Tea Life. Tata Tea understood that the advantage it had over the competition was the Tata name and all the positives that it evoked, principally integrity and genuineness. From that flowed the linking of tea drinking, and the feeling of rejuvenation and stimulation that it produced, to social awakening. Tata Tea had discovered the perfect blend to secure a significant slice of advertising attention as well as a means to discharge its civic responsibilities.

2. Long term Strategy

To get a favorable impact, the ethical strategy has to necessarily be a long term strategy with an eye on the future. The Tata Son's group has incorporated ethics into its strategy since the inception of the company and has been reaping rich rewards. The brand name itself reveals its commitment to excellence and CSR. In keeping with its values, Tata Tea's Jaago Re advertising

campaign captures the spirit of these questioning times in a manner that sets the brand apart. .

3. Collaboration with other organizations

In order to achieve effective delivery and showcasing of its philosophy, Tata Tea has capitalized on collaboration with other organizations for maximizing efficiency in propagating its social causes. In the second phase of the campaign, which focused on the Indian general elections, (Jaago Re! One Billion Votes), it partnered with Janaagraha, a Bangalore based NGO, as it needed a powerful campaign which could help it to penetrate down to grass root levels. The website JaagoRe.com was transformed into a community platform where individuals could partner with government approved NGOs by easily volunteering for their services at the click of a button. From a simple website, Jaago Re became a 'social change network' where people could pick a cause close to their heart, find likeminded people, form groups, participate in discussions, write articles and most importantly actually 'DO' something by volunteering for a live social project. By providing a platform for not for profit organizations to put up social projects, and allowing site members to apply or join these projects, Jaago Re! provides a simple and easy way for collaboration and to take action.

4. Addressing a highly critical and visible social cause

To be effective in its social cause initiatives, a company must address issues that are critical and in urgent need of support. Moreover, the cause must also be sufficiently visible so that people can relate with it. The ad campaign strongly equated the refreshing and rejuvenation obtained by drinking tea to social awakening and being aware of the social issues surrounding us. The objective of this campaign was to transform tea from a medium of mere physical and mental rejuvenation to a medium of social awakening. Jaago Re campaign was recrafted to create widespread awareness on the issue of corruption. "Aaj Se

Khilana Bandh, Pilana Shuru” transcends well beyond just creating awareness and has been presented as a platform where every Indian citizen can be the change he wants to see by taking a pledge not to aid and abet corruption. The idea of the awakening is that in every situation of corruption the greater onus lies on “Jo Khilata Hai”, the person giving the bribe rather than the one taking it.

5. Effective communication

Communication is vital. Unless people know about a social cause, the effort in enhancing corporate reputation or image and support for the cause may not be fruitful. Messages about corporate ethical and socially responsible initiatives are likely to evoke strong and often positive reactions among stakeholders. Research has even pointed to the potential business benefits of the internal and external communication of corporate social responsibility (CSR) efforts (Maignan et al. 1999). Brown & Dacin (1997) have shown that CSR is generally associated with positive corporate virtues and reflects an organization’s status and activities with respect to its perceived societal obligations.

6. Impact of CSR initiatives must be measurable

As with other exercises performed in an organization, the impact of the CSR effort should also be measurable. When the Return on Investment (ROI) is clearly highlighted, the company will be able to redirect its efforts to reach the target audience. In the case of Tata Tea, in keeping with the thought of the ‘Khilana Bandh, Pilana Shuru’ campaign, Tata Tea has been urging citizens to take a pledge to stop giving bribes. Within three months of starting this campaign, it has collected over 3.1 lakh pledges through various routes – the Internet, mobile, retail and even schools. In continuation with the campaign objective of awakening citizens to become the change they want to see, it is launching the Tata Tea Jaago Re Vrat Yatra – a 38-day bus journey

across the country to connect with the youth and urge them to pledge against corruption. Also, in its next level, the company has launched a Corruption Index, which is a three-city study, including Delhi, Mumbai and Bangalore, which aims to bring out the perceptions of citizens across socio-economic classes about corruption and its impact on the social and economic fabric of the society. The survey, conducted by AC Nielson with a sample size of 1,226, will be conducted on a quarterly basis to track the perception of the citizens.

Another parameter of the success of this campaign is the website www.jaagore.com which as of today supports 10 key issues – Corruption, Education, Child Rights, Global Warming, Voting, Human Rights, Women’s rights, Health, Civic Issues, Differently Abled. Users can create their own profiles (either as individual or as NGO) by associating with one or more issues. The site then offers important features of a social network such as creating profiles, networking, creating groups and events, and contributing content such as articles & documents related to the issue that the user supports.

The most important aspect of the website is the ‘Social Exchange’ – a ‘listings’ of social projects put up by the NGOs on the website. On the Social Exchange organizations can put up all kinds of projects where people can volunteer to work from home – such as documentation work for the NGO or work onsite like teaching street children. In order to volunteer, users simply click the ‘Volunteer’ button which triggers an email to the NGO with details of the interested user. Since all NGOs on Jaago Re! are government certified, the whole process of volunteering becomes transparent, simple and effective. Apart from the website, the campaign was powered by social media with communities on Facebook and Twitter supported by a blog. Thousands of citizens have actively participated with the website and volunteers have fuelled over 200 + live projects.

The online movement has received recognition from several counters including a Silver for Best Debut Website at Exchange for Media Digital Awards 2010, was shortlisted at the Goafest Abby's 2010 in the Website – Consumer Goods category, Silver in the Best Digital Brand Solution category at Yahoo! Big Idea Chair Awards and another Silver in the Best Website (Activism) category at the W3 Awards in 2010

7. Involving employees at all levels

CSR should be a complete organizational effort and employees play a central role in CSR implementation. While overall CSR success depends first on senior leadership, ultimately, CSR implementation largely rests in the hands of employees and, in some cases, suppliers. In a sense, these parties are often a firm's human face, capable of acting as ambassadors, advocates and sources of new ideas and information on CSR.

Rupp et.al (2006) accentuated that CSR plays a role about fostering positive social relationships between organizations and communities. They highlighted that employees will turn to CSR to assess the extent to which their organization values such relationships and so high levels of CSR can meet employees' need for belongingness with the organization and the society.

CONCLUSIONS

1. Organizational culture - The term corporate social responsibility is of recent origin, but the Tata way of conducting its businesses is not. The multitude of social development and environment initiatives Tata has nurtured from its earliest days flows from a wellspring of voluntary, as opposed to obligatory, commitment. The Tata Sons Group have invested organizational resources (both financial and people) in developing cultures of business ethics and integrity. Business ethics, the foundation of the processes by which customers develop feelings of trust in

organizations very directly impacts customer's perceptions of that organization. The literature on trust, suggests that people (customers) do develop perceptions of trust in organizations (Morgan and Hunt 1994). Hartley (1993) argues that the long-term best interests of businesses are served by seeking a trusting relation with the public. When customers perceive the relationship with an organization to be of value, there are several positive outcomes for the organization.

2. CSR commitment implementation - The follow up after the JaagoRe ad campaign shows the CSR commitment implementation of the Tata Group. Implementation refers to the day-to-day decisions, processes, practices and activities that ensure the firm meets the spirit and letter of its CSR commitments and thereby carries out its CSR strategy. If CSR commitments can be called "talking the talk," then implementation is "walking the talk." At one point of time Jaago Re was the sole site where young voters used to visit online for details. It can be said that the awareness was primarily due to the brand backing by Tata Tea, through their ad campaigns. Tata Tea's efforts to lend an enabling hand spring from the knowledge that there is more to tea than just the drinking of it.

3. Ethics and Profit - Unethical behavior is practically encouraged in business due to the very foundation on which business is built. The primary objective of a business is profit. Fundamentally there is nothing wrong with this fact. In order to comply with this, the goal of the executives has been correlated with the profit objective. By focusing on maximizing shareholder wealth with a traditional approach, businesses lose sight of emerging costs and trends that can benefit them. Their eyes are not on the horizon looking to see what is to come. However, good business and good ethics are synonymous. Primeaux and Steiber (1994)

concur that ethics is the heart and centre of business and that profits and ethics are intrinsically related.

4. Strategic Planning – Many consultants emphasize the need for strategic planning of CSR practices. According to Elizabeth A. Wall (2008), “in order for a firm to make a commitment to a CSR program it must create a committee, discuss the drivers, set goals, formulate policies, source community partners, and implement projects and measure impact”. The Tata Tea ad campaign has incorporated all the above features in delivering and meeting its goal of creating a mother brand for the four Tata Tea brands —Tata Tea Premium, Tata Tea Gold, Tata Tea Agni and Tata Tea Life - into one emotional platform, while successfully overtaking competition, resulting in increased market share while successfully delivering a social message. The result is a measurable connect with the consumers and socially engaging the users in a massive scale.

Strategic cause programs also provide companies and nonprofits with valuable leadership and differentiation strategies as well as enhanced brand equity and credibility, greater reach and significant resources and relationships. Now, more than ever, corporations and nonprofits are realizing the power of aligning companies and causes. (Austin,2000)

Storper (2008, as cited in London and Morfopoulos 2009) makes the point that modern culture demands that businesses be good stewards of the environment and society. CSR is an organization's way of taking action to make a difference in the lives of its customers, employees and the community. If business today is concerned about solving societal problems and creating social change while protecting its markets, it is imperative to have an ethical strategy.

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