

Evaluation of Corporate Image

12

This Module includes:

12.1 Introduction

12.2 Audit Checks of Different Managerial Functions

12.3 Audit Checks of Various Corporate Divisions/Departments

12.4 ESG Audit

Evaluation of Corporate Image

SLOB Mapped against the Module

To develop detail understanding about management reporting system to facilitate preparation of reliable reports which will ensure accurate data driven cost effective decisions and will build brand image. (CMLO 5b)

Module Learning Objectives:

A corporate image is, of course, the total of impressions of the mass on the company. In many instances, a brief, casual act by an employee can either lift or damage the corporate image in the eyes of a single customer but the overall image is a composite of many thousands of impressions and facts. After studying this module, the students will be able to –

- ✦ Know the benefits of Corporate Image in the Public towards the Organisations
- ✦ Understand the Reputation and performance of its brands (“brand equity”) of the Organisation
- ✦ Analyse the manner in which External relations with customers, stockholders, and the community affects the Organisations
- ✦ Understand the importance of the ESG Audit in the Today’s Business environment

The term image indicates an idea or a picture formed in the minds of a person about an individual or an institution.

“Corporate Image” is the reflection of an organisation in the minds of stakeholders and society at large, referring to a company’s reputation. The “Image” is what the public is supposed to see when the corporation is mentioned. A good corporate image is a genuine asset; it translates into money at the counter and a possible uptick in higher stock valuation.

The concept is usually associated with large corporations, but small businesses also have a corporate image even if neither their owners nor customers think of it that way. In the absence of active efforts, corporate image “simply happens”: it is how a company is perceived.

Management, however, may actively attempt to shape the image of the entity by communications, brand selection and promotion, use of symbols, and publicizing its actions. Corporations trying to shape their image are analogous to individuals who will dress appropriately, cultivate courteous manners, and choose their words carefully to come across as competent, likable, and reliable. In the personal as in the corporate case, the image should match reality. When it does not, the consequence will be the opposite of the one intended.

In developing a corporate image, an enterprise has to ensure an overall consistency as regards

The quality of products

The ethics of its management

Employee relations

Attitudes towards customers

Quality and service to customers etc.

Six groups identified as mentioned below measure corporate image by applying the attributes and qualifications which connect them to corporates

- Customers – measure it by product quality, prompt and courteous after sales service, regularity in maintaining supplies etc.
- Shareholders – measure it by the consistency in financial performance and prospects of growth
- Suppliers – measure it by the company’s liquidity and ability to honour commitments
- Banks and Financial Institutes – measure it by the financial health, net worth and history of serving the debts
- Government looks at it from the point of view of revenue generation and as an honest tax payer
- Employees look for steady career growth and smooth industrial relations

The Elements of Corporate Image

A corporate image is, of course, the total of impressions left on the company's many publics. In many instances, a brief, casual act by an employee can either lift or damage the corporate image in the eyes of a single customer or caller on the phone, but the overall organisational image is a composite of many thousands of impressions and facts.

The major elements are:

1. The core business and financial performance of the company.
2. The reputation and performance of its brands ("brand equity").
3. Its reputation for innovation or technological prowess, usually based on concrete events.
4. Its policies toward its salaried employees and workers.
5. Its external relations with customers, stockholders, and the community.
6. The perceived trends in the markets in which it operates as seen by the public.
7. Promoter or leadership also acts in favour in building good corporate image. Sometimes a charismatic leader becomes so widely known as a personal luster to the company.

Image versus Images

Only in the best of cases does a corporation enjoy a single reputation. Different publics may have different views of the corporation depending on their different interests and experience with the organisation. A company's brand image may be very good but its reputation among suppliers is poor, because it bargains very hard, pays late, and shows no loyalty to vendors. A company may be highly regarded on Wall Street but may be disliked on the Main Street of cities where it has closed plants. A company may be valued for providing very low prices yet disliked for its employment practices or in different environmental performance. It is much more likely that a small business will have an all-around reputation for excellence than that a very large conglomerate will merit all-around praise. Smallness has its advantages.

At the Core: Business Performance

The single most important factor in the corporate image is a Company's core business performance reflected through financial performance. A growing, profitable corporation with a steady earnings history will, for these reasons alone please its customers, investors, and the community in which it operates. A profitable company that, nevertheless, exhibits huge gyrations in earnings will fare worse: its earnings and dividends will be unpredictable; it will have layoffs; its stock will fluctuate; its vendors will be more uneasy; its employees nervous. When a business fails in its core function, its reputation heads straight south. Enron Corp., an energy trader, had a stellar reputation as the 7th largest corporation measured in revenues. It fell into bankruptcy almost abruptly on December 2, 2001; the Justice Department began to investigate it for fraud. Suddenly every aspect of the company that had been admired and lauded, its audacity, energy, profitability, innovativeness, entrepreneurial spirit, and so on took on opposite and negative connotations. The core business had failed; Enron's reputation imploded. No amount of corporate image polishing could have saved Enron's reputation after that.

Measuring the Corporate Image

Corporations evaluate their image, much as politicians do, by the survey. They employ the methodology of marketing surveys used both in polling and in support of advertising. The investigators select appropriate samples of the public and interview them; telephone surveys are the most common. They use statistical methods of extrapolation to project from the sample what the public as a whole (or selected publics) think. Corporations, of course, also rely on the much “harder” measures such as sales and stock performance. Surveys of the corporate image are sometimes motivated by sagging sales and a miserable press.

The theory of the corporate image holds that all things equal, a well-informed public will help a company achieve higher sales and profits, whereas a forgetful or poorly informed public may come to hold negative impressions about the company and may ultimately shift more of its patronage toward competitors.

As reported by Jamie LaReau in *Automotive News*, “Toyota periodically surveys U.S. consumers’ perceptions of the automaker. The surveys suggested that Americans’ awareness of Toyota’s U.S. presence had declined since 2000 even as the company was building and expanding plants.”

Words and Actions

The example of Toyota is a case in which Toyota felt the need to communicate (“words”) something about its investments (“action”) in the United States. Ideally, words and actions are always closely linked in building or repairing the corporate image. Expert advisors to the corporate world, such as Roger Hayward’s writing in *Accountancy Age* emphasize the need for consistent follow-through so that employees become “a vast army of goodwill ambassadors.” Whether the objective is to make the most of a good thing or to turn around an adverse situation, good management practice will ensure that action is accomplished before the words are spoken.

Business and Corporate Image

Corporate image basically linked with ‘Reputational Risk, reputation among its employees, customers, vendors, neighbours, society at large and the government agencies etc. goes a long way in favour of the Business.

The process continues in many ways:

- ⦿ In the choice of brand names to be used.
- ⦿ The company’s Website design.
- ⦿ The quality of its products or services.
- ⦿ Its promptness in paying bills.
- ⦿ Its effectiveness in mounting promotions; and so on.

Evaluation of Corporate Image

Evaluation of corporate image is a very complex process and it involves a critical examination of events and trends concerning business environment – both internal as well as external .

The various approaches to be taken by the Management Auditor to evaluate the Corporate Image of the company are as follows :

- 1) He should prepare a list of desirable attributes
- 2) The attributes should be classified into main groups and each group dovetailing the specific qualifications
- 3) Weights should be assigned to the attributes according to relative importance or priority
- 4) Involve experts in the respective fields in rating the qualifications and attributes

based on facts , judgements and technical studies made by experts in respective fields

- 5) The ratings are summarised under the selected groups
- 6) Present a composite evaluation to the management giving a comparative picture between actual and anticipated results

The Techniques available to the management auditor for carrying out the evaluation of corporate image are as follows :

- 1) Graphical Method

Upto date graphs are maintained for each of the attribute of a public under evaluation
(i.e.product, consumers, shareholders,lenders)

- 2) Point Method

Points are attached to each attribute

- 3) Index Method

Ideal indices are developed and actual attributes are compared with them

- 4) Survey method

It indicates questionnaires to elicit information

- 5) Ratio Method

Analysis of events and trends will help ratios

- 6) Position Analysis

Position of an enterprise with regards to market size, market share, market stability

- 7) Method of Comparison

Comparison of actual with budget on quanifiable attributes.

It also includes interfirm comparison with same class of industry.

Benefits of a Positive Image

A positive corporate image helps an organisation in getting

Talented employees

Assistance from institutions,bank

Public subscription for share capital or debentures

Products sold against tough competition

Government assistance for its projects

And overall public sympathy and support in difficult times

How to build a positive image

The organisations use many methods to build a positive image for them

- 1) Advertising is very important

TV has helped greatly in spreading business messages even to remotest parts in rural and tribal area where majority of population is illiterate

- 2) Manufacture of quality products and customer service is another method which develops a long term loyalty of a satisfied customer
- 3) Provision of social amenities like public gardens, social institutions- colleges, hospitals, temples, etc, rural development programmes, sponsorship of various events, financial contributions , are other methods
- 4) Contribution of the organisation at the times of calamities like wars, flood, draught, epidemics is always remembered by people gratefully.

However, it must be remembered that you can fool some people all the time or all the people some time. But you can not fool all the people all the time.

Audit Checks of Different Managerial Functions

12.2

The functions of management uniquely describe managers' jobs. The most commonly cited functions of management are

- ⦿ Planning,
- ⦿ Organizing,
- ⦿ Leading,
- ⦿ Controlling etc.

Development of the Functional Approach to Management

Henri Fayol was the first person to identify elements or functions of management in his classic 1916 book 'Administration Industrielle et Generale'. Fayol was the managing director of a large French coal-mining firm and based his book largely on his experiences as a management practitioner.

Fayol defined five functions or elements of management:

- ⦿ Planning,
- ⦿ Organizing,
- ⦿ Commanding,
- ⦿ Coordinating, and
- ⦿ Controlling.

Fayol argued that these functions were universal irrespective of the nature of business.

Fayol defined planning in terms of forecasting future conditions, setting objectives, and developing means to attain objectives. Fayol recognized that effective planning must also take into account unexpected contingencies that might arise and did not advocate rigid and inflexible plans. Fayol defined organizing as making provision for the structuring of activities and relationships within the firm and also the recruiting, evaluation, and training of personnel.

According to Fayol, commanding as a managerial function concerned the personal supervision of subordinates and involved inspiring them to put forth unified effort to achieve objectives. Fayol emphasized the importance of managers understanding the people who worked for them, setting a good example, treating subordinates in a manner consistent with firm policy, delegating, and communicating through meetings and conferences.

Fayol saw the function of coordination as harmonizing all of the various activities of the firm. Most later experts did not retain Fayol's coordination function as a separate function of management but regarded it as a necessary component of all the other management functions. Fayol defined the control function in terms of ensuring that

everything occurs within the parameters of the plan and accompanying principles. The purpose of control was to identify deviations from objectives and plans and to take corrective action.

Fayol's work was not widely known outside Europe until 1949 when a translation of his work appeared in the United States. Nevertheless, his discussion of the practice of management as a process consisting of specific functions had a tremendous influence on early management texts that appeared in the 1950s.

Management pioneers such as George Terry, Harold Koontz, Cyril O'Donnell, and Ralph Davis all published management texts in the 1950s that defined management as a process consisting of a set of interdependent functions. Collectively, these and several other management experts became identified with what came to be known as the process school of management.

According to the process school, management is a distinct intellectual activity consisting of several functions. The process theorists believe that all managers, regardless of their industry, organisation, or level of management, engage in the functions of management. The process school of management became a dominant paradigm for studying management and the functions of management became the most common way of describing the nature of managerial work.

Audit Checks of Different Managerial Functions

1. Planning

Planning is the function of management that involves setting objectives and determining course of action for achieving these objectives.

Some of the questions may be on the following lines:

- 1) Whether the immediate organisational objectives are clearly stated in writing?
- 2) If yes, whether these have been communicated to employees at all the levels?
- 3) Does the organisation know the methods it will use to achieve its objectives by obtaining and allocating physical, financial and other resources?
- 4) Whether the objectives, plans and policies have been prepared keeping in view external factors like materials, resource availability, government policies and directions, pollution and environment etc.
- 5) Are any of the objectives not in consonance with national or social objectives?
- 6) Whether alternative courses of action are available to achieve objectives?
What are these alternatives?
What is the best alternative?
- 7) How frequently the objectives, plans and policies are reviewed?

2. Organising

Organising is the function of management that involves developing an organisational structure and allocating human resources to ensure the accomplishment of objectives.

Few important characteristics of a successful organisation are as follows :

- 1) The organisation must not constitute a rigid structure.
It must be capable of being modified and shaped to serve the needs of the changing situations.

- 2) The work must be divided in wholes and not in bits and pieces.
It facilitates accountability.
- 3) Proper and clear understanding of responsibilities and authorities is a must in order to avoid many problems in daily working.

A full, clear and precise description of these matters in writing is therefore always advisable.

Some of the questions may be on the following line :

- 1) Whether the Organisation Chart has been prepared covering the highest policy making body i.e. Board of Directors to the lowest operative or service man?
- 2) Are there overlapping responsibilities or authorities leading to confusion or conflicts?
- 3) How does the management ensure that the responsibilities at different levels are being discharged properly?
- 4) Whether the systems, procedures, policies, responsibilities, authorities have been compiled in the form of manuals and distributed to persons concerned?
- 5) Are there controls to ensure that the manuals are reviewed periodically and are kept up-to-date by users?
- 6) Whether the organisation is structured to prevent problems rather than go on fire-fighting?
- 7) Are mistakes tolerated within reasonable limits and used as a basis for helping the decision maker learn and improve his performance?

3. Coordination

Coordination is bringing together all parts of an organisation to act in concert and harmony with a view to achieve its goals and plans.

Coordination is harmonizing various activities of the firm.

Coordination however implies something more than acting in unison after compliance with various control measures embodied in systems or procedures.

It represents an attitude towards the company's affairs which compels one to watch every event, whether occurring inside or outside the company, for its repercussions on the company's fortunes and well being.

If a company can inculcate and nourish this attitude not only amongst its managers but all the employees, it can be confident of its continued success and prosperity.

Some of the questions may be on the following line :

- 1) Whether the responsibility for co-ordination of various functions at different levels has been defined clearly?
- 2) Whether a climate of mutual trust and team spirit exist among the employees?
- 3) Are there management or plant wise committees for co-ordination among different sections and functions?
- 4) Whether the budgets and plans are finalised at joint meeting of various functional supervisors or heads?
Whether similar meetings are held to review performance of various projects and budgets to take remedial measures to correct slippages?
- 5) Are there detailed guidelines to managers to co-ordinate various activities particularly in relation to dealing with outside public?

- 6) Whether the Sales Force and Purchase Force are given feedback about their performances and corrective actions necessary to make up for the deficiencies, if any?
- 7) Whether the top-executives are promptly informed about the constraints faced by the organisation in achieving its objectives?

4. Leading / Motivating

Leading involves influencing others towards the attainment of organisational objectives.

Effective leading requires the manager to motivate subordinate.

The Management Auditor will have to evaluate this factor through questions such as :

- 1) What are the systems of reward and punishment to motivate people?
- 2) Whether basic economic needs of all employees are met by the organisation?
- 3) Whether employees are encouraged to be ambitious within reasonable limits?
- 4) Whether employees are provided their periodical performance reports for a constructive self-appraisal followed by personal discreet discussion to help him in making up his deficiencies
- 5) Is there a system to recognise and reward individual merit to encourage healthy competition amongst the employees?
- 6) Whether performance standards are set after discussions with people to ensure their agreement.

5. Controlling

The real purpose of the control is to ensure that things happen.

For Example-

- 1) to make a product at the lowest cost and highest margin
- 2) to launch a new product line successfully in the market
- 3) to achieve a given target within the limits of the budget etc.

Thus, the purpose of a control is positive and not negative.

The Management Auditor should keep in mind the following factors at the time of evaluation of Function Controlling.

- 1) The control should be exercised positively.
i.e. to make things happen rather than prevent them from happening.
- 2) Controls cannot be effective or useful if standards are not developed properly
- 3) Controlling begins with detection of a deviation from the plan or objective and ends with eliminating the defects responsible for the variance.
Controlling should be exception.
- 4) However, for a control to be really effective, it is necessary to have a means of getting information on performance (a feed – back).
Action is required only on significant deviations which, if left uncontrolled, will be destructive to the plan.
- 5) A control is more effective when it is built into the plan itself.
A plan, which does not provide for control, is not likely to be viable and effective.

Let us consider the following illustration:

For measuring utilisation of machines, a system of collecting information on –

- Total machine hours available
- Numbers actually used and

Reasons for the difference between the two should be available.

After making due allowance for reasonable factors like periodical maintenance and repairs, the plant capacity must be utilised.

One of the reasons of under utilisation may be imbalanced equipment.

In other words, where a product is completed on several machines, the capacity of each is not matched to capacities of other machines.

Such imbalance requires a very serious consideration.

The scrutiny may reveal the alternatives like the following :

- 1) Addition of new machines of a particular type
- 2) Employment of under utilised machines on other orders which may have to be specially solicited

Management Functions Audit

Management Audit helps management in setting sound and effective targets. It is the method of evaluating the total efficiency of the management from the top level to the lowest level. It was originally developed as a tool for investment appraisal.

Management audit is a difficult and complex task. It performs the following functions:

1. Management audit identifies the objectives of an organisation.
2. It reviews or provides guidance in the preparation of complete statements of the performance standards and yardsticks for measurement applicable to each major decision or performance area.
3. It reviews the structure of the organisation and assets of the organisation and decides whether goals can be achieved or not. It critically examines and refines the units of measurement commonly applied in each major performance or decision area.
4. It examines all the scope of work and liability centers. In this regard, the auditor should help management in pinning down and inter-relating the performance standards and measurements with the operating responsibilities of each person affected.
5. It evaluates whether the management team is working in the interests of shareholders, and other stakeholders.

The management audit covers the following areas:

1. Examination of organisation structure in full or part thereof.
2. Checking the operations of management and its effectiveness.
3. A critical appraisal of activities of management executives.
4. Examination is to be carried on independently by experts.
5. Evaluation of the functioning of the management board.

6. Analyze goals, plans, policies, and activities of the management.
7. Evaluation of the earning capacity of the management.
8. Making management face or tackle any problem effectively in the future.

Management Audit and its Scope

1. Studying the organisation:

Reviewing the formal organisation structure, policies, procedures, information systems and flows, and decision centers to determine adequacy of arrangements made for running an entity

2. Searching for-performance shortcoming:

Since the concept of management audit requires the appraisal and assessment of total organisational performance; examines in depth the functioning of the system and its performance, its scope is synonymous with the appraisal areas identified by the American Institute of Management.

These are as follows:

1. Economic function vis-a-vis social responsibility:

This involves appraising the public esteem value of the company about different interests like shareholders, employees, creditors, distributors, consumers, and the community in which it operates.

2. Corporate structure:

The appraisal is made as to flow of information, span of supervision, authority relations, Organisation structure and reporting lines viz. centralization /de-centralization of authority etc.

3. Earning growth and business prosperity:

This requires appraising the extent to which the resources have realized the profit in real and tangible terms. The potential earnings, opportunities and actuals on Year-on-Year basis indicates improvement.

4. Service to shareholders:

The assessment is made mainly on three basic criteria:

- (a) Risk minimization of their investment.
- (b) Reasonable return on investment, and
- (c) Reasonable appreciation of capital over a period.

5. Research and development:

This is applicable for manufacturing entities and big ticket item for Pharma, Drug discovery, electric vehicle and battery, robotic application etc. Business opportunity may out weight the new Investment and research & development cost.

6. Constitution of Board Of Directors:

The assessment on four fundamental elements, viz.:

- (a) Quality of each Director and his contribution
- (b) Role as influencer

- (c) Team work and
- (d) Trusteeship role.

7. Fiscal and financial policies:

The evolution of the capital management system, dividend policy, fiscal policy and controls and their application in different areas of corporate activity.

8. Operational effectiveness:

The evaluation of the management performance (betterment) in each relevant operational areas (sourcing, labour, waste control, uninterrupted flow of product, maximize throughput, sales volume and revenue growth, machinery up-time etc.) against the target set; indicates management capability to move towards next level of success.

Management Audit – Objectives:

The basic objectives of management audit are given below:

1. To identify the level of achievement of the objectives of the organisation.
2. To identify the shortcomings and barriers to achievement.
3. Putting appropriate control mechanism to pre-empt possibility of leakage or sabotage.
4. To help the management to conduct efficient administration of the operations.
5. To help the management executives in the effective discharge of their responsibilities.
6. To suggest to the management the ways and means available to achieve the objectives.
7. To guide towards improved performance.
8. To improve operations and achieve operational excellency.
9. To ensure the fullest extent of the management efficiency.
10. To help the management executives in the effective discharge of their duties.
11. To come-up with innovative ideas, solutions to improve efficiency and performance.
12. To ensure openness and proper, honest feedback mechanism.
13. To identify the deviations against the set standards or the benchmarks of the industry.
14. To help the management in improving the communication w.r.t execution aspect of policies, objectives, etc.

Management Audit – Need and Importance:

Management Audit has become necessary on account of the following reasons:

1. Management audit examines whether appropriate policies are laid down by the company management and he same being adhered through spirit and action.
2. It helps in the improvement of the performance of management as a Team.
3. Management audit suggests eliminating wastage and/or achievement of maximum with minimum.
4. Independent appraisal of performance.

5. SWOT (Strength, Weakness, Opportunity and Threats) are analyzed for timely management intervention.
6. Review of effectiveness w.r.t decision making process.
7. Ensure good governance practice in every sphere of managerial activities.

Importance of Management Audit:

Management audit plays a pivotal role in making the company efficient due to the following reasons:

1. Management Audit sets the policies and objectives right given changing environment, competitors' strategies, changes in technology, consumers' preferences, etc.
2. It helps the management in improving its systems given developments or creations in management principles, techniques, and approaches.
3. It helps the management in improving its performance in the execution of policies and in utilizing resources.
4. It sets the direction of objectives policies and business definition.
5. Provide a roadmap w.r.t overall organisational improvement.

Management Audit – Process Adopted for the Implementation of Management Audit:

(1) Objectives for Introducing Management Audit System:

Progressive management wants proper and independent evaluation of its activities including decision making process. To achieve the said purpose, management auditor is appointed. Management Audit function can be outsourced and/or through internal resources.

(2) Critical Appraisal:

Role of management audit is to critically appraise the activities from all possible angles including technical and provides independent feedback with suggestion for improvement.

Management Audit Approaches:

A structured approach is the basic pre-requisite of the management auditor. Knowledge of organisational structure, processes and sub-processes guides the auditor to frame appropriately the scope and program before starting a management audit. The scope to include-

1. Effectiveness of the formal organisation structure and organisation charts.
2. Apprising decision making process effectiveness and hierarchy.
3. He should appraise the management information system, its worth by way of accuracy and timeliness of reporting.
4. Various policies and status of deployment including further requirement to strengthen the activities.
5. Adherence to statutory regulations for running the business.

Audit Checks of Various Corporate Divisions / Departments

12.3

The need for auditing a company's business activities and operations hovers around mitigation of business risks, improve governance processes, ensure accomplishment of organisational goals and objectives.

The checklist aims to help the auditor in course of review in performing the task in a structured manner and also ensures completeness against the planned objective of accomplishment.

1. Strategic Business Planning

Auditing strategic business planning can be described as taking a series of steps to assess the company's objectives, the business plan, and the SWOT for accomplishment of the goals.

The following questions are to be raised by the Management Auditors with the concerned Corporate Divisions/ Departments during the Audit Process:

- ⦿ Whether the entity having a Mission, Vision statement aligned with Corporate Goals and departmental goals?
- ⦿ Whether SMART (Specific, Measurable, Achievable, Relevant, and Timeframe) set of Goals are in place and cascaded down function-wise for accomplishment?
- ⦿ Whether company strategies to address target market, acquisitions, entering new geography, market penetration, counteract competition etc. are in place and effectively perused?
- ⦿ Whether outcomes are compared with target for corrective actions, if any, required?

2. Organizational Structure:

- ⦿ Whether a lean but adequate structure in the Organisation exist to address business requirement?
- ⦿ Whether hierarchical structure supports the smooth decision making process with appropriate and adequate information movement from the approved requisite sources?
- ⦿ Whether appropriate communication for clarity on organisation operating model in place to help conduct / perform the designated role?
- ⦿ Whether the employees are clear about their roles, responsibility and accountability?
- ⦿ Whether JD (Job Description) aptly documented with required details available to all job holders?
- ⦿ Whether delegation of authority (DOA) captures clearly the authority and responsibility of assigned role?
- ⦿ Whether review of structure is carried out from time to time to cope-up with changes in business scenario and/ or new requirements?

3. Finance & Accounting:

- ⊙ Whether Finance and Accounting function manned with qualified accountants in sufficient number to handle the criticality of business operations?
- ⊙ Whether Company's accounting activities are carried out through accounting software duly modified to support the business requirement?
- ⊙ Whether accounting function, recording, supervision, approval, report generation etc. authority is password driven to cater the requirement of roles and responsibilities?
- ⊙ Whether appropriate review mechanism is in place over the accounting activities carried out?
- ⊙ Whether accounting results, cost datum etc. are published and shared with reviewers at appropriate level?

5. Tax:

- ⊙ Whether a tax calendar to monitor deposit, return dates against each of the applicable tax legislation?
- ⊙ Whether Tax law/rules-wise responsibility fixed to ensure compliances?
- ⊙ Whether tax department employees are knowledgeable w.r.t tax provisions to ensure compliance?
- ⊙ Whether contingent issues are appropriately decided to contest against any query from appropriate revenue exchequer?
- ⊙ Whether books of account is updated with return status (refund, penalty, claims), tax deposits etc. and reviewed periodically w.r.t Tax Demand letters, assessment order etc.?

6. Budgeting:

- ⊙ Whether budgeting exercise carried out for all the major activities e.g sales, purchases, advertisement, HR, Marketing, Training etc.?
- ⊙ Whether approval obtained for such budgets?
- ⊙ Whether any course correction of Budget takes place based on the dynamic business scenario with due approval mechanism?
- ⊙ Whether the budget developed in terms of periods and performance standards, growth prospects etc.?
- ⊙ Whether spent against each of budget heads are monitored periodically?

7. Cash Management:

- ⊙ Whether Treasury Dept. having a Budget of inflow and outflow of Cash for business requirement on period basis?
- ⊙ Whether Capex and Opex related lows are monitored against sanctions to oversee best utilization?
- ⊙ Whether transactions are carried out based on approvals of appropriate designated authority?
- ⊙ Whether there exist a auto transfer facility for surplus cash to Overdraft Account to make cash at bank position as 'zero'?
- ⊙ Whether cash at hand are kept with custodian with adequate recording for cash at hand?
- ⊙ Whether surplus funds are invested /deployed efficiently?
- ⊙ Whether all collections are banked immediately and exceptions reported?
- ⊙ Whether opportunity of using lines of credit to reduce the demand for cash being carried out?

8. Pricing and cost-saving:

- ⦿ Whether the entity having a flexible pricing policy to address the market dynamics of demand, supply, competition, aggressive players' strategy and quality etc.
- ⦿ Whether the entity having a market penetration strategy to reach newer geography, new communities etc.?
- ⦿ Whether the entity having a product and/or price leadership position?
- ⦿ Whether R & D facility being deployed to cost rationalization effort for balancing margin even in case of price erosion?
- ⦿ Whether market forces are regularly monitored for reaping most advantageous price proposition?
- ⦿ Whether economies of scale factored for enabling best obtaining pricing?
- ⦿ Whether 'make or buy' decisions are explored to gain advantages in rising plant cost scenario?
- ⦿ Whether marketing plans of discount, higher credit days are factored into cost to fix sales price?

9. Purchasing:

- ⦿ Whether a well defined authority structure for purchase decisions is in place?
- ⦿ Whether Requirements are raised after considering stock at hand and production Plan in sync with Sales Forecast?
- ⦿ Whether process of regular communication exists with Costing Team, sales and manufacturing Team for price/rate change of items procured/planned for procurement?
- ⦿ Whether quality monitoring forms part Vendor selection and price negotiation?
- ⦿ Whether a pre-defined Vendor rating system exists and Vendors rated accordingly?
- ⦿ Whether sufficient stock at ensured through monitoring delivery dates and supplies made?
- ⦿ Whether a Vendor Development process in place to introduce new sourcing?
- ⦿ Whether Share Of Business (SOB) of Vendors monitored to avoid dependency on Vendors?
- ⦿ Whether the purchases are made at the best available price?
- ⦿ Whether purchases are made mostly from direct manufacturers, instead of dealer, agents and brokers?

10. Marketing:

- ⦿ Whether entity having a sales organisation with defined goals /targets?
- ⦿ Whether the entity's products are best in class w.r.t quality, pricing and performance to claim 'top ranked'?
- ⦿ Whether the products/services have a good reputation in the minds of the target audience?
- ⦿ Whether the entity regularly reviews the market scenario to make its strategy, promotion activities and thwart competition?
- ⦿ Whether the entity having authentic source for collection of market data and utilize the same for best possible decision?
- ⦿ Whether Customer loyalty program, 'Loss value analysis' etc. tools are used to assess product leadership depth of market for the product?

11. Risk & Insurance:

- ⦿ Whether risk identification, managing and mitigation process is in place?
- ⦿ Whether business risks analyzed and responded and opportunities explored?
- ⦿ Whether the entity opts for insurance cover against the insurable perils?
- ⦿ Whether appropriate policies are chosen to mitigate the risk of insurable perils and?
- ⦿ Whether non-transferable risks are reviewed regularly for appropriate cost-effective mitigation plan
 1. Evaluation of Purchase Management
 2. Evaluation of Personnel Management
 3. Evaluation of Production Management
 4. Evaluation of Research and Development Activities
 5. Marketing Audit
 - (i) Evaluation of Sales Management
 - (ii) Evaluation of Distribution Function

Annexure-I**1. Evaluation of Purchase Management**

The primary objective of purchase management is to procure raw materials, packing material etc. of the requisite quantity of required quality at a reasonable cost at the right time. A management accountant may make a model questionnaire for evaluation of purchase management:

- (a) Whether a separate Organisation structure with authority level exist to handle procurement function?
- (b) Whether the purchase policy is available and reviewed from time to time?
- (c) Whether the purchase requirements are based on material planning w.r.t production and sales requirement, Inventory holding volume?
- (d) Whether supplier selection process is laid down and negotiation takes place for the best offer?
- (e) Whether specific quality, Cycle time etc. factors are considered before finalizing deal with the Vendor? regular and dependable suppliers are ensured?
- (f) Whether best available rate agreed upon after comparing with market rates?
- (g) Whether follow-ups made for ensuring timely supplies?
- (h) Whether Vendor rating process is in place?
- (i) Whether a robust Vendor registration process is in place?
- (j) Whether new Vendors are introduced to reduce the role of existing Vendors?
- (k) Whether SOB (Share Of Business) monitored by the Dept. to pre-empt possibility of excessive dependency?

2. Evaluation of Personnel Management

The main objective of personnel function is to create such conditions in the organisation that the employees can put to their best performances. The personnel manager has to assess manpower requirement, selection, recruitment, training and development of individuals to get best out of the employee, and also to ensure favourable industrial relations, grievance redressal, discipline, wage settlements etc. The performance of the personnel function may broadly be evaluated in the following way:

- (a) Whether the HR is vibrant in the organisation through constant touch with employee/workmen?
- (b) Whether the designated HR Representative function-wise monitoring performance of the Dept. and of the staff?
- (c) Whether HR is in constant touch with the decision makers within the Organisation?
- (d) Whether HR Policies are available for employee entitlements and the same adhered by employees?
- (e) Whether goal setting and performance monitoring exercise taken-up with functional heads?
- (f) Whether training needs re identified and imparted as per requirement?
- (g) Whether periodical 'Job Evaluation' process carried out for the purpose of employee movement, considering promotion etc.?
- (h) Whether manpower requisitions, budgeting of cost and manpower etc. monitored and approval obtained for recruitment?
- (i) Whether appropriate attendance capturing and monitoring in place?
- (j) Whether salary, wages, reward etc. billed after due consideration of approvals?
- (k) Whether appropriate initiative timely taken for employee grievance redressal?
- (l) Whether regular communication (town hall etc.) conducted for maintain industrial harmony?
- (m) Whether employee turnover is below the industry average?
- (n) Whether appropriate regulations are adhered for 'contractual deployments' ?
- (o) Whether 'labour welfare schemes' are announced keeping in view of larger interest of the rank and file?
- (p) Whether legitimate unionism encouraged?
- (q) Whether safety needs are appraised and strict vigil maintained for accident free operations?
- (r) Whether 'job rotation' process resorted to for preparing pipeline of able employees?
- (s) Whether monetary and non-monetary benefits are balanced in CTC (Cost To Company)?

3. Evaluation of Production Management

The main objective of production management is to turn out finished goods of requisite quality by making optimum use of men, machines, and methods. The productivity of such factors must satisfy the standards or norms set for the industry. The following checklist will help the management auditor in evaluating production management:-

- (a) Whether production planning cognizes market demand, plant capacity, raw materials availability, availability of power, etc.?
- (b) Whether quality concerns are addressed appropriately?

- (c) Whether cost minimization efforts are taken to ensure competitive selling price?
- (d) Whether actual consumption and BOM (Bill Of Material) is in tandem and variance, if any, analyzed at the end of each run?
- (e) Whether actual capacity is in line with expected production target?
- (f) Whether appropriate safety measures are in place to preempt possibility of accidents?
- (g) Whether Production system is connected with incentives for achievement?
- (i) Whether maintenance plans are in place to ensure higher availability of equipment for production run?

4. Evaluation of Research and Development Activities

A management auditor of a company can appraise and evaluate activities of research and development based on the following checklist:

- (a) Whether R & D is a continuous process used for betterment of product quality, cost reduction, change in process of production, new product discovery etc.?
- (b) Whether the entity having a vision to achieve the above through R &D?
- (c) Whether a budget prepared for R & D spent?
- (d) Whether achievements are made as expected?
- (e) Whether appropriate Quality of people manned in R & D?
- (f) Whether the Board of Directors identify or endorse the broad “types of research” to be undertaken to order ensure that the efforts are concentrated in line with the defined goals?
- (h) Whether the R&D considered an independent department in the company?
- (i) Whether the R&D results are properly recorded, classified and analysed?
- (j) Whether on implementation of R & D suggestions, benefits outweigh the costs incurred?

5. Marketing Audit

A marketing audit is an independent review of the entire marketing effort of a company, or some specific marketing activities covering objectives, programme implementation, and organisation for purposes of determining what is being done, appraising what is being done, and recommending what should be done in future.

Marketing audits may be horizontal or vertical. A horizontal audit (also known as a system-level audit) covers a major part of a marketing audit and evaluates a total appraisal of the marketing efforts of a company. The marketing audit encompasses the following areas:

1. Objectives: Target setting and methods for accomplishment of objectives in detail.
2. Programme: Appraising efficacy of marketing programs for achieving the objectives.
3. Organisation: Structure, roles of marketing department.

5.1. Evaluation of Sales Management

The main objective of the function of sales management is to create and develop market (customers) and take the 'pole position'.

The following questionnaire will help in evaluating sales management:

- (a) Whether Organisation structure with role clarity exists?
- (b) Whether SWOT for different geographical or Customer segment is carried out for planning the marketing effort?
- (c) Whether market share (product-wise, Customer base etc.) and enhancement of billing value indicating any uptick?
- (d) Whether growth is sustainable?
- (e) Whether the system of appraising the performance of sales division and salesmen objectives fair?
- (f) Whether the salesmen's performance/efforts linked with rewards?
- (g) Whether the budget is realistic and achievable without additional pass on to Customers?
- (h) Whether quality of product justifies 'price' and returns are bare minimum?
- (i) Whether market strategies are developed after in-depth study of market condition supported by database?
- (j) Whether Order reviews are carried out at periodic intervals and un-catered (able)ones are 'dropped'?
- (k) Whether supply pipeline and logistics are reckoned while booking order?
- (l) Whether market campaign, advertisement, sales promotion effort etc. are linked with market achievement and budgeted?
- (o) Whether a defined 'credit policy' exists? And over ridings are duly approved as per delegation of authority?
- (p) Whether 'overdue' are monitored and sales teams' responsibility for collection clearly specified?
- (q) Whether customer complaints are monitored for resolution?

5.2. Evaluation of Distribution Function

For evaluation of distribution function, a management auditor should consider the following points:

A. Distribution Function

- (a) Whether the entity having an established network of distribution?
- (b) Whether network/channel-wise operating plans are in place?
- (c) Whether actual performance measured against plan?
- (d) Whether appropriate logistic arrangements are in place for stock replenishment and delivery?
- (e) Whether competition channels are enquired for performance and compared with own?

B. Capacity configuration

- (a) Whether the production, marketing and distribution capacities provide an economical means of meeting the necessary customer service criteria?

- (b) Whether adequate inventory levels are maintained for smooth operational flow?
- (c) Whether any ramp-up required for smooth operations?

C. Staging of inventory

- (a) Whether past order trends are perused for inventory holding in each of the distribution channel?
- (b) Whether the flow of finished goods inventory through the distribution process reasonable within the acceptable service limits?
- (c) Whether regular reviews of inventory physical condition checked and segregation, if required, carried out to avoid any erosion?

D. Transportation mode mix

- (a) Whether a transporter Registration process exists?
- (b) Whether route, distance and vehicle availability factored into fixing freight?
- (c) Whether delivery times are tracked for transport efficiency measurement?
- (d) Whether multimodal arrangements are there? If so, safe handover ensured at each point?
- (e) Whether the present model has been selected considering cost and service capabilities?

Adequacy of Budgetary Control System

While determining the adequacy of the budgetary control system of an organisation, it is essential that the Management Auditor should evaluate its coverage and effectiveness i.e. whether the system in operation covers all functions rather than an accounting exercise.

For this purpose, the Management Auditor should examine and appraise the points as stated below:

1) In the area of Planning :

Whether it covers all interrelated functions like sales, production, procurement, personnel, inventory control, project monitoring, finance, research & development

2) In the area of coordination :

Whether the budget monitoring cell holds its meeting regularly with a view to coordinate performance of individual activity / section / department to fall in line with the overall objective of the company

3) In the area of control :

Whether system exists for measuring, comparing and quantifying the result of all functional areas

Whether variance reports are prepared and appropriate corrective actions are taken on the variances.

India has introduced new environment, social, and governance (ESG) reporting requirements for the top 1,000 listed companies by market capitalization. The Securities and Exchange Board of India (SEBI) stipulates that the disclosure must be made through a new format, namely the Business Responsibility and Sustainability Report (BRSR). BRSR reporting will be mandatory from F.Y. 22-23.

Sustainability is fast becoming a key priority for corporates around the world. Businesses today are expected to be more ethical and duty bound towards society. There has been a corresponding shift in the mindset of investors, with priorities expanding to include sustainable growth along with the primary goal of wealth creation. Boardrooms have taken note of this and have started embedding practices to ensure that these requirements are met.

Companies and organisations have started preparing sustainability reports disclosing their performance on environmental, social, governance parameters as a part of reporting non-financial performance metrics. While the Indian government has not mandated all companies to prepare these reports, it is strongly encouraged as such monitoring and accountability provide clarity to investors and other stakeholders about the company's responsible conduct of activities.

How does India view ESG compliance?

In 2013, India became the first country to mandate corporate social responsibility with the Companies Act of 2013. This tenet was previously suggested in the National Voluntary Guidelines (NVGs) on Social, Environmental, and Economic Responsibilities of Business released in 2011 before being included in the Companies Act 2013.

Additionally, the top 500 listed firms in India by market-cap were instructed by SEBI to disclose indicators of business responsibility and sustainability through Business Responsibility Reporting (BRR).

SEBI in India plays the role of the market regulator, regulating securities, and protecting the interests of the stakeholders in the market. SEBI is also responsible for the implementation of an efficient ESG policy mechanism.

In 2021, SEBI issued a circular containing details of new sustainability-related reporting requirements called the Business Responsibility and Sustainability Report (BRSR), which brings India's sustainability reporting to global reporting standards. BRSR is a departure from the BRR format.

What are the disclosure requirements under India's new ESG policy?

On May 10, 2021, SEBI issued a circular introducing the Business Responsibility and Sustainability Report (BRSR), which will replace the Business Responsibility Reporting (BRR). The new reporting format outlines mandatory ESG policies and requirements for the top 1000 listed companies by market capitalization. The format is based on the nine principles stipulated in the "National Guidelines on Responsible Business Conduct" (RBC Guidelines).

The RBC Guidelines are influenced by leading international standards, including the UN Guiding Principles on Business and Human Rights, UN Sustainable Development Goals, Paris Agreement, and International Labour Organisation (ILO) Core Conventions. The RBC Guidelines addresses key sustainability matters, such as business ethics and transparency, human rights, environmental safety, and fair labour practices.

The reporting format is mandatory from FY 2022-23 but is voluntary for FY 2021-22. This is to provide companies with sufficient time to adapt to the new reporting compliance. Companies are encouraged, however, to adopt the BRSR early.

The BRSR is aimed at securing transparent and standardized disclosures by companies on their ESG parameters and sustainability-related risks. This approach is expected to help companies better demonstrate their sustainability objectives, position, and performance to the market, resulting in long-term value creation and increasing the ability of investors to make informed ESG-related decisions.

Business Responsibility and Sustainability Reporting in India:

Aspects	Disclosure requirements	Principles
General	<ul style="list-style-type: none"> a) Overview of the company's material environmental, social, and corporate governance risks and opportunities and approach to mitigate or adapt to these ESG risks as well as relevant financial implications b) Sustainability related goals and targets and related performance c) Management structures, policies, and processes related to sustainability 	General management and process disclosures

Aspects	Disclosure requirements	Principles
Environment	<ul style="list-style-type: none"> a) Resource usage (energy and water) and intensity metrics b) Air pollutant emissions c) Greenhouse gas emissions (Scope 1, Scope 2, and Scope 3) d) Waste generated and waste management practices e) Impact on biodiversity 	Principle 6: Businesses should respect and make efforts to protect and restore the environment.

Social	Employees: a) Gender and social diversity, including measures for differently-abled employees b) Turnover rates c) Median wages d) Welfare benefits to permanent and contractual employees e) Occupational health and safety f) Trainings	Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains. Principle 5: Businesses should respect and promote human rights.
	Communities: a) Social impact assessments b) Rehabilitation and resettlement c) Corporate social responsibility	Principle 8: Businesses should promote inclusive growth and equitable development.
	Consumers: a) Product labeling b) Product recall c) Consumer complaints concerning data privacy, cyber security, etc.	Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.
Governance	a) Training on the principles stipulated in the “National Guidelines on Responsible Business Conduct” (RBC Guidelines) for members of the Board, senior managers, and employees b) Anti-corruption and anti-bribery policies c) Awareness programs conducted for value chain partners on the principles in the RBC Guidelines	Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.

Source: Mayer Brown

Motivation for ESG Adoption

The SEBI introduced the requirement of ESG reporting way back in 2012 and mandated that the top 100 listed companies by market capitalisation shall file a BRR.

This was later extended to top 500 listed companies by market capitalisation in 2015.

Further, in May 2021, SEBI introduced a new reporting requirements on ESG parameters under the Business Responsibility and Sustainability Report (BRSR) by amending regulation 34 (2) (f) of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015, (LODR Regulations)

Indian Requirements for ESG Compliance

Indian listed companies are required to disclose their ESG policies and practices in their annual reports under SEBI (Listing Obligation and Disclosure Requirements) 2015.

These disclosures must include details on social responsibility, environment effects and governance methods.

ESG : A Brief Overview

1. Environmental Responsibility

The E in ESG encompasses a company's environmental practices.

This includes minimising carbon emissions, reducing waste, conserving resources, and adopting eco-friendly technologies and processes.

Businesses are increasingly aware of the importance of environmental sustainability not only for ethical reasons but also because it can lead to cost savings and risk reduction.

2. Social Responsibility

The S in ESG is concerned with how companies treat their employees, customers and communities.

Companies that prioritise social responsibility tend to attract and retain talent more effectively and build stronger customer loyalty.

3. Governance Practices

The G in ESG focusses on corporate governance and ethics.

It encompasses issues like board diversity, executive compensation, transparency, and the protection of shareholders' rights.

Strong governance practices even enhance a company's reputation and reduce the risk of corporate scandals and legal issues.

Challenges of Implementing ESG

1. Complex regulatory regime

Regulations are becoming more stringent day by day.

With ever more detailed requirements that can pose challenges to effectively comprehend and adhere.

2. Collecting Relevant Data

ESG considerations encompass a wide range of factors including diversity initiatives, executive compensation, and environmental concerns.

As a result many companies face challenges of having data scattered across disparate systems.

In such cases, the entire process often relies on manual efforts involving the extraction

of larger volumes of data leading to delays and inaccuracies.

Further more the ever changing disclosure requirements add complexity to the reporting landscape.

Collection of data requires creation of Special Financial GLs and Corresponding Cost Centres requiring special expertise which very few companies may have at their disposal.

3. ESG Related Costs

For smaller organisations or less established enterprises who are still building their businesses and frequently have limited resources, the costs to integrate ESG into their operations and publish pertinent ESG information might be disproportionately bigger.

The collection, collation, calculation and presentation of new information will burden companies and increase their costs.

Additional expenses for doing audits and providing guarantee on the given data must also be taken into account.

4. **Lack of ESG Experts**

Being an emerging sector, ESG integration inside organisations demand a vast skill pool.

The majority of businesses lack the skilled internal resources needed to properly execute ESG efforts.

Merits of ESG:

1. **Enhanced Reputation**

Employing ESG principles can aid businesses in enhancing their reputation as ethical corporate citizens, customers, investors, and employees who value ethical and sustainable business practices may become more attracted as a result.

2. **Risk Reduction**

ESG practices can assist businesses in identifying and reducing possible risks, including those related to environment, the supply chain and reputation.

3. **Saving money**

Using ESG practices can save money in areas including energy use, waste reduction, and employee retention.

4. **Long Term Value Creation**

By putting ESG policies into practice, businesses may generate value for all parties involved including communities, employees, and shareholders.

Demerits of ESG:

1. **Cost associated with implementation**

Small and medium sized businesses, who may lack the business resources to invest in sustainable practices , may find it particularly expensive to implement ESG principles.

2. **Lack of Standardisation**

Because there is currently no agreed upon frame work for ESG practises, it can be challenging for businesses to assess and bench mark their performance.

3. **Focus on Short Term**

Some businesses may place a higher priority on immediate financial results than on long-term sustainability objectives, which can lead to a lack of dedication to ESG Compliance.

How can an organisation adopt ESG

1. **Develop ESG Strategy and Sustainability Development Board**

This includes –

- 1) Creating ESG vision and mission for the organisation
- 2) Establishing an ESG strategy reflecting the company and board's vision & mission and
- 3) Developing and implementing measurable sustainable goals and targets that align with the overall ESG Strategy.

2. Sustainable Reporting & Disclosures

Develop reporting frameworks and reporting templates that support disclosure requirements.

3. Invest in ESG

The major reason why ESG has gained so much prominence in the last few years is the increasing interest of the investors in ESG issues and the way companies are investing in ESG.

Many major banks and investing firms such as JP Morgan, Well Fargo and Blackrock have incorporated ESG investing criteria into their processes and products.

4. Global Mandate

Another reason for the rapid growth of ESG has to do with the global mandates.

Research demonstrates that more countries are requiring companies to disclose their ESG performance in one format or another.

Reasons for Adopting ESG in Business Practices

1. Improved brand recognitions and image

The beneficial impact ESG practices may have on a company's reputation and brand image is one of the main advantage of implementing them.

2. Suitable for Investors

Investors understand that business with sound ESG policies are better equipped to handle economic downturns and produce steady, long -term returns.

3. Improved Recruitment and retention of employees

Employing ESG strategies can assist businesses in luring top talent, keeping them on Board, and creating a supportive workplace environment that values sustainability and social responsibility.

4. Enhanced operational effectiveness

Prioritizing ESG issues in business operations can enhance supply chain management, waste reduction, and energy efficiency.

Lower operating expenses, lower risk, and better overall performance are possible outcomes of these measures.

5. Government Regulations

Adopting ESG practices shall enable the organisations help earn reputation for being ethical and sustainable enterprises.

How big Indian companies are adapting to the ESG pivot:

Many leading companies in India have begun to include environmental, social, and governance targets as a part of key result areas (KRAs) for Top Management.

The move is influenced by an increasing push from investors to allocate capital that not only generates financial returns but is also invested in social good. Overall, non-financial factors increasingly become a marker of material risks and growth opportunities for investors.

The pandemic and increasingly evident costs of climate change have elevated the importance of these discussions, with many boards devoting significant time in their strategy meetings to discuss ESG issues.

ESG consciousness among corporates in India: Leading examples

For consumer goods maker Marico, ESG now becomes a part of top management KRAs.

Diversified miner Vedanta is currently planning to embed ESG into every aspect of the company's decision-making and performance evaluation.

Tata Group companies, such as Tata Steel, Tata Motors, Tata Consumer, Tata Power, and Tata Consultancy Services (TCS) look at ESG as a priority. Their top management claims that sustainability is among the top four business objectives for the organisation.

Early-stage venture capital investors are keen to support start-ups that actively facilitate ESG goals.

Textile major, Welspun, has also embarked on a journey to enable a sustainable approach in all its operations. Environmental and social concerns are making modern consumers more cautious of their fashion and textile choices leading brands to be more conscious of whether their ESG parameters are being optimally met.

Prominent Indian companies like Tech Mahindra, Infosys, and Wipro are part of the Dow Jones Sustainability Index (DJSI), which assesses the ESG performance of companies globally. Historically, the companies that are part of the DJSI follow ESG best practices and have fared well on the Indian bourses. This may be attributed to the fact that investors, both institutional and retail, wish to invest in companies seen to be more socially responsible.

Blue-chips stock, such as TCS and Reliance Industries, recently announced roadmaps towards reduction in greenhouse gas emissions towards zero. Investors seem to have an appetite for innovative instruments to finance environmental and social initiatives.

How India compares with other countries:

Being the first country to have mandated corporate social responsibility, India has for some time taken the lead in demanding ethical commitments from businesses. However, different countries have different approaches and beliefs when it comes to ensuring responsible business activity.

The United Kingdom:

In the UK, quoted companies are mandated to provide a report disclosing annual greenhouse gas emissions, diversity, and human rights under the Companies Act 2006 (Strategic and Director's Report) Regulations, 2013. Companies with a premium listing of equity shares in the UK also need to report on how they apply the main principles of the Corporate Governance Code, 2012.

European Union:

The European Commission (EC) Directive on Disclosure of Non-Financial and Diversity Information (2013) is considered a major reporting instrument of the EU. It requires certain large companies and public-interest companies to disclose material environmental, social, and employee-related matters.

United States:

According to the Regulation issued by the US Securities and Exchange Commission (SEC), all listed companies should disclose their environmental compliance expenses. Another sustainability reporting instrument by the New York Stock Exchange (NYSE) mandates that listed companies adopt and disclose a code of business conduct and ethics.

China:

Overall, China has seven regulations that act as instruments of mandatory disclosure on sustainability matters. The Environmental Information Disclosure Act, 2008 mandates corporations to disclose environmental information. Annual resource utilization, pollution levels, waste generation, disposal method, and some other aspects can be disclosed voluntarily to gain more rights to grants and public support. A separate report with an environmental disclosure is also requested from large companies listed on the Shanghai Stock Exchange.

Exercise

A. Theoretical Questions

⊙ Multiple Choice Questions

1. What is the main factor to maintain corporate image?
 - (a) Industry Goodwill.
 - (b) Employee loyalty.
 - (c) Shareholder's trust.
 - (d) All of these

2. Which media relation norm enlists that actual and factual data should be reported?
 - (a) Accuracy.
 - (b) Honesty.
 - (c) Integrity.
 - (d) Depends upon the media.

3. Who is starting point of bottom-up communication?
 - (a) Employees.
 - (b) Customers.
 - (c) Management.
 - (d) Depends upon the media.

4. What is the business case for CSR?
 - (a) Better motivated staff reduce operating costs.
 - (b) Increased brand value and reputation.
 - (c) None of the above.
 - (d) All of these

5. What is the crucial function of a PR agency?
 - (a) Strategic planning.
 - (b) Key messaging.
 - (c) Media relations.
 - (d) All of the above.

6. What is the main objective of investor relations?
 - (a) Create understanding between the investors, financial community, and the company.
 - (b) Create interest of the prospective investor in the company's stocks.
 - (c) Build corporate image of the organisation.
 - (d) All of these.

7. What refers to the act of offense of saying something false or malicious that damages somebody's reputation?
 - (a) Libel.
 - (b) Slander.
 - (c) Defamation.
 - (d) IPR violation.

8. What is the essential trait of a PRO?
 - (a) Have high standard of integrity.
 - (b) Should be a learned.
 - (c) Should gain the people's confidence easily.
 - (d) All of these.

9. Which type of advertising focuses on the basis of experience that customers have with a company?
 - (a) Corporate Image.
 - (b) Institutional.
 - (c) Perception Oriented.
 - (d) Identity.

10. Which strategy influences internal communications?
 - (a) Organisation's strategy.
 - (b) A strategy of its own.
 - (c) Both of above
 - (d) Depends upon the media.

11. Which of this is true for corporate image of an organisation?
 - (a) Image is static and does not evolve over years.
 - (b) Image should change every year.

- (c) Image should change with launch of every new product.
 - (d) Image should be built over years and then maintained.
12. Mass communication is the process of _____ by spreading a message to the desired public.
- (a) Mass persuasion.
 - (b) Mass awareness.
 - (c) Mass enlightenment.
 - (d) Mass prelude.
13. Which type of advertising focuses on the basis of experience that customers have with a company?
- (a) Corporate Image.
 - (b) Institutional.
 - (c) Perception Oriented.
 - (d) Identity.
14. For evaluating adequacy of Project Implementation, what factors Management Auditor should consider?
- (a) Maintenance Plans in place to achieve desired capacity utilisation
 - (b) Specific consumption of Raw Material
 - (c) Volumn Reconciliation for each type of Inventory
 - (d) Incentive available from Central or State Government have been studied, tied up and applied for
15. For evaluating adequacy of Production Function, what factors Management Auditor should consider?
- (a) Input – Output Ratio
 - (b) Any Imbalances in the plant
 - (c) Any constraint in achieving maximum available capacity ?
 - (d) All of Above
16. For evaluating adequacy of Purchase Function, what factors Management Auditor should consider?
- (a) Imbalance in the Plant
 - (b) Excess Consumption in utilities like power, fuel, water, steam etc
 - (c) Awareness of Production in Charge about the Cost Structure of the Product
 - (d) Purchase Requisitions marked with rush, emergency or as soon as possible

17. For evaluating adequacy of Inventory Function, what factors Management Auditor should consider?
- (a) % of marketing expenses to total sales
 - (b) Safety measures in place to pre-empt accidents
 - (c) Location of the Project
 - (d) Adequacy of Review of A Category RM Inventory
18. For evaluating adequacy of Finance Function, what factors Management Auditor should consider?
- (a) Production hold up due to delay in procurement of goods or services
 - (b) Capacity Utilisation
 - (c) Break down of Plant & Machinery
 - (d) Plans to meet requirements for modernisation, expansion, diversification etc
19. For evaluating adequacy of R & D Function, what factors Management Auditor should consider?
- (a) Monthwise Production
 - (b) No of Employees
 - (c) Inventory of Employees
 - (d) Consideration of R & D Function as separate Department in the Company.
20. For evaluating adequacy of Insurance Function, what factors Management Auditor should consider?
- (a) Advertisement for the product
 - (b) Consumption of Raw Materials – Both Quantity and Value
 - (c) Job Work Production
 - (d) Timely Renewals of Policies

⊙ **State True or False**

1. A firm's image is based on the feeling consumers and businesses have about the overall organisation and its individual brands.
2. Effective marketing communications are based on a clearly defined corporate image.
3. What a firm's employees believe about the company's image is far more important than what consumers think.
4. Changing a corporation's image requires both internal programs and external promotions.
5. An overt corporate name reveals what the company does.

6. A conceptual corporate name captures the essence of what a company offers, but does not reveal it directly.
7. An implied corporate name contains recognizable words or word parts that suggest what the company does.
8. Google is an example of an implied corporate name.
9. A conceptual corporate name seeks to capture the essence of the idea behind the brand or a vision of what the company does.
10. “Federal Express” is an example of a conceptual corporate name seeking to suggest the idea of express delivery.

🕒 Essay Type Questions

1. What is ESG?
2. What is the Difference Between CSR and ESG?
3. How ESG is measured by the Organisation? – The Value of Data.
4. How ESG is Reported by the Organisation?
5. How does ESG create value for the Organisation?
6. How does the board of directors of the company need to evolve to oversee, enable and support the delivery of our ESG and sustainability strategy?
7. What are the importance and limitations of Planning as a Function of Management?
8. What are the functions of managers? What are the basic activities within the management process?
9. What are the different levels of management?
10. Mention the different roles managers have to play in modern organisations.
11. How are management skills acquired?
12. What is the scope of management?
13. How to enrich or improve company image?
14. Briefly explain the company’s mission, vision, and values.
15. If new product or service launched, explain the measures to fit with existing brand.
16. What are the fundamental components for a successful brand?
17. How to spin-off a company without losing market share or profit?
18. How to increase brand recognition?
19. A full research or discovery is required before kick-starting a re-brand of the Company Product. Explain.

Answer:

Multiple Choice Questions

1.	(d) All of these
2.	(a) Accuracy
3.	(a) Employees
4.	(d) All of these
5.	(d) All of the above
6.	(d) All of these
7.	(b) Slander
8.	(d) All of these.
9.	(c) Perception Oriented.
10.	(c) Both of above
11.	(d) Image should be built over years and then maintained
12.	(a) Mass persuasion
13.	(c) Perception Oriented
14.	(d) Incentive available from Central or State Government have been studied, tied up and applied for
15.	(d) All of above
16.	(d) Purchase Requisitions marked with rush, emergency or as soon as possible
17.	(d) Adequacy of Review of A Category RM Inventory
18.	(d) Plans to meet requirements for modernization, expansion, diversification etc.
19.	(d) Consideration of R & D Function as separate Department in the Company
20.	(d) Timely Renewals of Policies

True / False

1.	True	2.	True	3.	False	4.	True	5.	True
6.	False	7.	True	8.	False	9.	True	10.	False