

Corporate Social Responsibility

By

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Abstract:

Corporate social responsibility is the heart of business practices in today's era. It can be defined as "The persisting commitment by business to behave ethically and achieve its development by improving the standard of life of its labour force and their families as well as of the local community and society at large".

Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden society. The present societal marketing concept of companies is constantly evolving and has given rise to a new concept-Corporate Social Responsibility. A top priority for many organizations today is corporate social responsibility, which focuses on how businesses deal with their environmental, social and economic impacts. Corporate social responsibility (CSR) programs benefit businesses two-fold: they help businesses operate in ways that benefit society and help improve public perception. This research paper focuses on the finding & reviewing of the issues and challenges faced by CSR activities.

1. Introduction :

In India companies like TATA and Birla are practicing the Corporate Social Responsibility (CSR) for decades, long before CSR become a popular basis. There are many instances where corporate have played a dominant role in addressing issues of education, health, environment and livelihoods through their corporate social responsibility interventions across the country It is expected that Civil society, activist groups, Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. The success of CSR lies in practicing it as a core part of a company's development strategy.

Corporate social responsibility focuses on the duties of business organizations towards the interest of society rather than just towards its stakeholders and customers as it is a well known fact that a business corporation is dependent upon the society for the want of technical assistance, finance and market. By practicing corporate social responsibility, a corporation generates ways to gather both financial and social benefit and business which is socially responsible is much more stable. It is important that both internal CSR i.e. welfare of workers, stakeholders, investors as well as external CSR i.e. welfare of society and local community should be carried on hand in hand if sustainable development of CSR is to be achieved.

The core elements of CSR can be summarized as follows: (a) Companies should develop mechanism to respect the needs of stakeholders, customers and its investors. (b) They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive. (c) Healthy, safe and hygienic conditions of work should be provided at workplace and no discrimination should be exercised on any ground in providing employment opportunities. (d) Human rights of company's labour force should be protected by company. (e) Such activities should be taken up by company which is conducive to the overall development of its workforce like educational, social, cultural welfare activities particularly targeting towards the disadvantaged section of society. (f) Measures should be taken by every company to check and prevent environment pollution. For this, paper bags should be used instead of plastic bags and waste should be properly managed and recycled.

2. Keywords: CSR, Corporate Social Responsibility, Societal Marketing

3. Objectives: The Present paper is basically concerned with the following objectives.

A. To study the drivers of CSR

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B. To study the positive outcomes of CSR.

C. To study the Issues and Challenges of CSR.

4. Research Methodology:

Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

5. Literature Review:

Can shareholder money be used for a company's corporate social responsibility (CSR) practices? Shouldn't shareholders have a say in the CSR activities of the company they are invested in? As per ACCSR's State of CSR in Australia Annual Review report Full understanding of CSR is still emerging; There are many obstacles while adopting successful CSR strategies include the difficulty in making a business case for CSR, difficulty in integrating CSR with organizational values and practices, and the lack of organizational buy-in and commitment to CSR. Other obstacles reported is the lack of time and financial resources to pursue CSR practices are directly related to the above three. When an organization finds it hard to make a business case for CSR or link it to core organizational operations, it will be reluctant to commit and allocate resources or time to such practices. Moreover, these obstacles also point to another set of findings in the report: respondents view CSR more so as a means to manage regulatory impacts, reduce risk, and respond to stakeholders concerns, and to a lesser extent as a strategic source of competitive advantage.

6. Definition of CSR :

"CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government"

"CSR is about business giving back to society.

The voluntary compliance of social and ecological responsibility of companies is called Corporate Social Responsibility (CSR).

Corporate social responsibility is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Corporate social responsibility is represented by the contributions undertaken by companies to society through its business activities and its social investment.

CSR can not only refer to the compliance of human right standards, labor and social security arrangements, but also to the fight against climate change, sustainable management of natural resources and consumer protection.

7. Types of corporate social responsibility:

Corporate social responsibility can encompass a wide variety of tactics, from donating money to local charities to not producing goods in third-world sweat shops. Here are some of the ways businesses worldwide are practicing social responsibility:

A. Environment:

One primary focus of corporate social responsibility is on caring for the environment. Businesses, both large and small, have a large carbon footprint. Any steps that can be taken to reduce those are considered both good for the company and society as a whole. Examples include everything from curbing pollution to developing clean energy solutions.

B. Philanthropy:

Donating to national and local charities is another way business are practicing social responsibility. Whether it involves giving money or time, businesses have a lot of resources from which charities and local community programs can benefit.

C. Ethical Labor Practices:

Treating employees fairly and ethically are other ways companies can practice corporate social responsibility. This is especially true of businesses that operate in international locations where employees aren't always treated with the same respect that workers are in the United States. Research shows that consumers, especially those in the United States, are extremely quick to turn on companies found operating sweatshops or violating other ethical labor practices.

8. Drivers Pushing Business towards CSR:

The main principles involving corporate social responsibility involve economic, legal, ethical and discretionary aspects. A corporation needs to generate profits, while operating within the laws of the state. The corporation also needs to be ethical, but has the right to be discretionary about the decisions it makes. Levels of corporate social responsiveness to an issue include being reactive, defensive, responsive and interactive.

Corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

Some of the drivers pushing business towards CSR include:

1. The shrinking role of government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

2. Demands for greater disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

3. Increased customer interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

4. Growing investor pressure

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks.

5. Competitive labour markets

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

6. Supplier relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

9. Positive Outcomes of CSR:

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

1. Company benefits:

- Improved financial performance;
- Lower operating costs;

- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Workforce diversity;
- Product safety and decreased liability.

2. Benefits to the community and the general public:

- Charitable contributions;
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

3. Environmental benefits:

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling.

10. Examples of corporate social responsibility:

While many companies are now practicing some form of social responsibility, some have made it more a core of their operations.

Starbucks has also been publically lauded for its corporate social responsibility efforts. The coffee giant created its C.A.F.E. Practices guidelines, which are designed to ensure the company is sourcing sustainably grown and processed coffee by evaluating the economic, social and environmental aspects of coffee production.

- Starbucks has engaged in more than 500 factory assessments and continues to work with more than 70 factories on improving their social and environmental standards.
- As part of its 2015 global-responsibility goals, Starbucks aims to volunteer one million community service hours globally.

PepsiCo, Inc

- In 2012, PepsiCo's Frito-Lay North America division's fleet of all-electric trucks surpassed one million miles driven, eliminating the need for approximately 200,000 gallons of diesel fuel.
- "One Simple Thing" program gives employees the option to add a work-life balance goal, such as flexible working arrangements, to performance appraisals

Dell Inc.

- Reduced its packaging while increasing the amount of recycled, recyclable and renewable content. As a result, Dell has eliminated more than 20 million pounds of packaging material since 2008.
- Conducts regular supplier audits to ensure that human rights, health and safety and other criteria are respected by its suppliers.
- Replaced all Dell laptop displays with LED illumination, eliminating the use of mercury in all new laptops manufactured.

Ford Motor Company

- Set a goal to reduce its facility-based CO2 emissions by 30 per cent by 2025 compared to a 2010 baseline.

Volkswagen

- Launched the XL1, a concept car that burns just one litre of fuel to travel 100 km, using a combination electric-fuel engine to significantly reduce fuel consumption.
- Volkswagen's LEED Platinum-certified plant in Tennessee includes a 26-hectare solar park to power the plant, the largest solar park at a U.S. auto factory.

11. Issues & Challenges:

Coins-versus-conscience is the dilemma of many a significant venture. The idea of social responsibility is the idea of discontinuing the mutually exclusive relationship between profit margins and doing well -- to avoid external regulation. In recent history, "CSR" (as corporate social responsibility has come to be known within business circles) has evolved into the notion that caring about the world around your enterprise is not simply good business practice, but a necessary mechanism for driving profit. Some experts argue, however, that social consciousness isn't worth the investment.

These challenges are listed below:

1. Lack of Community Participation in CSR Activities:

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

2. Need to Build Local Capacities:

There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

3. Issues of Transparency:

Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

4. Non-availability of Well Organized Non-governmental Organizations:

It is also reported that there is non-availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

5. Non-availability of Clear CSR Guidelines:

There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

6. Lack of Consensus on Implementing CSR Issues:

There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative

approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

12. Recommendations:

The recommendations are firm indications of the existing state of affairs in the CSR domain; they correspondingly call for necessary and appropriate steps to be initiated to put CSR on firmer ground. The following recommendations are listed for serious consideration by all concerned stakeholders for their effective operationalization to deepen CSR in the company's core business and to build collaborative relationships and effective networks with all involved.

- It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This awareness generation can be taken up by various stakeholders including the media to highlight the good work done by corporate houses in this area. This will bring about effective changes in the approach and attitude of the public towards CSR initiatives undertaken by corporate houses. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. Thus, the social justice agenda of the day would be fulfilled more meaningfully.
- It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain. This scenario often creates barriers in implementing CSR initiatives. It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.
- It is found that many CSR initiatives and programs are taken up in urban areas and localities. As a result, the impact of such projects does not reach the needy and the poor in the rural areas. This does not mean that there are no poor and needy in urban India; they too equally suffer from want of basic facilities and services. While focusing on urban areas, it is recommended that companies should also actively consider their interventions in rural areas on education, health, girl child and child labor as this will directly benefit rural people. After all, more than 70 per cent people still reside in rural India.
- It is noted that the Government should consider rewarding and recognizing corporate houses and their partner non-governmental organizations implementing projects that effectively cover the poor and the underprivileged. Incentives to be offered to the private sector to strengthen their good work must include a formal partnership with local administration, easy grant of 12A, 80G and Foreign Contribution Regulation Act (FCRA) license and other fiscal incentives including matching project grants and tax breaks for social and development projects. This will be instrumental in encouraging enhanced voluntary participation of greater number of corporate houses in CSR activities.
- It is noted that CSR as a subject or discipline should be made compulsory at business schools and in colleges and universities to sensitize students about social and development issues and the role of CSR in helping corporate houses strike a judicious balance between their business and societal concerns. Such an approach will encourage and motivate young minds, prepare them face future development challenges and help them work towards finding more innovative solutions to the concerns of the needy and the poor. It is recommended that involvement of professionals from the corporate sector, non- governmental organizations and business schools would be key in ensuring youth participation in civic issues.

- It is found that there are approximately 250 corporate houses in the country that are directly involved in various CSR initiatives. These companies continue to decide their own projects depending on a number of parameters. These efforts are driven purely by the company's operational perspectives and ease of implementation of their CSR projects. As there are a number of companies involved in CSR activities, it is recommended that an accreditation mechanism should be put in place for companies through an independent agency for mainstreaming and institutionalizing CSR in the main business framework of the companies.
- The role and efforts of the private sector in taking development agenda forward with focus on education, health, environment, livelihood, women empowerment, disaster management to mention a few have been visible and effective. Some innovative models are also available of private sector interventions in these areas. In order to push the development agenda in a mission mode, it is recommended that realistic and operational models of engagement between all three important stakeholders – the Government, the non-governmental organizations and the private sector – are jointly explored and addressed.

13. Conclusion:

The concept of corporate social responsibility is now firmly rooted on the global business agenda. But in order to move from theory to concrete action, many obstacles need to be overcome. A key challenge facing business is the need for more reliable indicators of progress in the field of CSR, along with the dissemination of CSR strategies. Transparency and dialogue can help to make a business appear more trustworthy, and push up the standards of other organizations at the same time. Corporate social responsibility is becoming a key initiative and an essential tool in the growth of multinational corporations and the development of third world countries throughout the globe. The two concepts can work hand in hand to provide benefits for all; however difficulties in regulating and implementing corporate social responsibility need to be overcome before effective changes can be made.

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