Corporate Social Responsibility: A Pristine Chore for Corporates - An Overview

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ABSTRACT

The role of the corporations around the world is struggling with the upcoming issues, which is to attain the needs of the present generation without undermining the ability of the next generations to meet their own needs. Organizations are being called to take responsibility for the actions of their operations having impact on societies and the natural environment. Historically main responsibility of the corporate has been to increase their monetary wealth and to upgrade the shareholders value in the market. The corporations find it difficult to experience economic prosperity in isolation from those impacted by its actions. The focus of the firms is now to increase attention on both its bottom line and being a good corporate citizen. Keeping abreast of global trends and remaining committed to financial obligation have forced the organizations to reshape their frameworks, rules and business models. In order to stay ahead of rapidly changing challenges, most socially responsible organizations continue to revise their short term and long term. In other words, corporate financial responsibility has been the sole bottom line driving force. However, in the last decade, a moment defining broader corporate responsibilities- for the environment, for the local communities, for the working conditions, and for the ethical practices- have gathered momentum and taken hold. In other words, corporate financial responsibility has been the sole bottom line driving force. This new driving force is known as corporate social responsibility (CSR). CSR is often times also mentioned as the corporate “triple bottom line”-the totality of the corporation’s financial, social and environmental performance in conducting its business.

Keywords: Economic prosperity, Corporate Responsibilities, Shareholder’s value, Environmental performance

I. INTRODUCTION

The concept of corporate social responsibility (CSR) has continued to nurture in importance and its significance over the decades. Over the time, CSR has emerged as the subject matter of considerable debate, commentary, theory building and research. In spite of the ongoing deliberations as to what it means and what it comprise, it has enlarged in both academic as well as practitioner communities worldwide. The idea that business enterprises have some obligations toward society beyond that of making profits for the shareholders has been around for centuries. For all practical purposes, The Phenomenon of CSR is largely a post – World War II and its relevance did not leaped until 1960s. Hence it is substance of the past half century. Entrepreneurs and business houses in India have a long tradition of value systems that have defined our nation’s character for ages. Even in twenty first century also the relevance of India’s ancient wisdom persuades various business houses to work for a much broader objective of the well being of stakeholders. These sound and all embraced values are even more significant in present era ,as organizations tussle with the challenges of modern day enterprise, the aspirations of stakeholders and of citizens eager to be diligent participants in economic growth and development.

II. LITERATURE REVIEW

Leon, Ramona-Diana argued that social responsibility referred to ‘businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest’

A later analysis by Patrick Murphy argued that the 1960s and early 1970s were the ‘Awareness’ and ‘Issue’ eras of CSR. This was a period of changing social consciousness and recognition of overall responsibility, involvement in community affairs, concern about urban decay, correction of racial discrimination, alleviation of pollution, and the continuing philanthropic era in which there was a focus on charitable donations by businesses.

According to Fombrun, C. and Shanley, M. (1990), Publics also judge how well firms respond to their non-economic agendas. Perceptions of firms’ concern for the wider society, may influence judgments, with social responsiveness signaling that firms have achieved the mutualistic relationship with potentially powerful groups in their environment.
Social and political involvement, of course, may tie in directly to firm’s continued ability to operate, or they may represent a means of thwarting environmental challenges from powerful stakeholders.

Ancrum, R. (2006, December/2007, January) argued that the new framework for companies to adopt comes from the recognition that profit alone does not guarantee sustainable success but needs to be balanced with other factors such as retention of human capital, reputation, CSR, brand value etc. The new framework should be a value-creation model, which implies the combination of personal principles, corporate ethics and commercial sustainability.

Berkhout, T. (2005) critically considers as the corporate gains as the strategic engine for long-term corporate profits and responsible social developments. This author critically examines corporate gains as the strategic engine for long-term corporate profits and responsible social development. He highlights corporate green-washing, the voluntary adoption of social or environmental initiatives indented to enhance the company’s reputation. He proposed out that CSR provides the starting point that the businesses need to begin moving toward sustainability. For CSR to gain its relevance, Companies must push to seek something other than the lowest short-term cost for the highest short term gain.

McGaw (2005) considers the biggest challenge in the field of CSR implementation to be the development of leaders for a sustainable global society, asking what kind of leader is needed for building a sustainable global society and how we can best develop individuals with these leadership capabilities. According to this author, the task and challenge will be to develop leaders for a sustainable global society by encouraging imagination and the accomplishment of a positive change.

According to Howell and Avolio (1992), responsible leadership is the art of building and sustaining relationships with all relevant stakeholders, and it requires socialized, not personalized, leaders. Here, the challenge is to develop leaders who can relate in different ways, who are able to align different values into a common vision, who can listen to and care for others and ultimately serve them. Meeting these challenges requires the joint efforts of a global society and responsible leadership committed to diversity, ethics, and values.

III. OBJECTIVES OF STUDY

1. To understand the core elements of CSR policy.
2. To figure out the challenges and limitations in implementation of CSR policy in Indian Scenario.
3. To unravel the relevance of accountability in CSR.

IV. RESEARCH METHODOLOGY

This research paper is based on secondary data by reviewing various authentic research papers from online data bases of peer reviewed, official websites of various companies, quality books, professional magazines and newspapers. The need of the Study is to aware the students, academicians as well as industrialist about the relevance of Corporate social responsibility and competitive challenges that the corporations are facing with the changing scenario of the corporate world and due to increasing awareness among people about the social aspect of responsibility and rising expectations of people with companies.

Definition of Corporate Social Responsibility

As per the World Bank Group’s definition, “Corporate social responsibility is a commitment of businesses to impart to sustainable economic development by working with employees, their families, the local community and society at large, to enhance their lives in various ways that are good for businesses and for development.”

Core Elements:

The CSR policy should normally cover the following core elements

1. Care for all stakeholders:

The corporations should approbate the interests of, and be responsive towards all stakeholders, including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively captivate all stakeholders, intimate them with inherent risk and mitigate them wherever they occur.

2. Ethical Functioning:

The governance systems of corporations should be underpinned by ethics, transparency and accountability. They should not indulge in business practices that are abusive, unfair, corrupt or anti-competitive.
3. Respect for worker’s rights and welfare:

Companies should provide a workplace environment that should be safe, hygienic and humane, which upholds the dignity of employees. All employees should be provided with access to training and development of necessary skills for career advancement on an unbiased and non-discriminatory basis. They should uphold the freedom of association and the effective reorganization of the right to collective bargaining of labor, have an effective grievance redressal system, should not employ child or force labor.

4. Regard for human rights:

Companies should keep regard with respect to human rights for all and avoid complicity of abuses by corporations or by third party.

5. Deference for environment:

Enterprises should take reasonable measures to control and prevent pollution, recycle, manage and reduce waste. They should also manage natural resources in a sustainable manner and ensure their optimum use, they should proactively respond to the challenges of the climatic change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies.

6. Activities for social and inclusive developments:

Corporations should undertake activities for economic and social development of Communities and geographical areas particularly in the vicinity of operations depending upon their core competencies and business interests which includes education, skill building for livelihood of people, health cultural and social welfare etc., particularly targeting at deprived sections of society.

Framework for Effective CSR

To manage CSR expectations there are various methods involved to enable effective CSR. Initially it can be stated with a thorough assessment of existing processes, which includes identifying CSR strategy and affiliating it to existing policy framework along with vision and mission of an organization. The major requirement is to have a transparent system and risk mitigation tools which need to be informed within the organization and to everyone who is involved in its implementation. Not only this but the organization concentrates on whether the project planning and design is fruitful in actual project implementation or not. All actions are adopted in order to ensure maximum utilization.

The effective CSR framework should be aligned with business objectives, it should be sustainable, scalable and result oriented which yields a company; Social Capital, Nation Building, Brand Visibility, Business Opportunities and Partnerships. At present the perspective of CSR in India is headed in a positive direction. This can be attributed to existence of regulatory bodies such as Department of public enterprise (DPE), Ministry of corporate affairs (MCA), Indian institute of corporate affairs (IICA) who are playing the role of captain of the ship naming CSR.

Exigency for Implementing CSR Policy in Indian Context

The first and foremost focus is on why CSR got started in organizations and how it can be executed in a better way. The reason why CSR started is that some authors argue CSR can be seen as either an fundamental part of business strategy and organization’s identity, or it can be used as a shielding policy with the latter being used more frequently by companies earmarked my activists. The rationale for CSR can be constructed on a moral argument, a rationale argument, or an economic argument is representative of a cluster of studies which create verifiable propositions related to the conditions beneath which companies will move toward CSR. From the last decade, involvement of Indian companies is CSR aspect has been rapidly growing with some companies focusing on strategic part of CSR which is primarily focusing its contribution toward nation building. Gradually, the focus of companies in India is basically on need-based initiatives aligned with the national priorities such as public health, education, livelihoods, water conservation and natural resource management.

Rigorous national level deliberations on the responsibility of the corporate sector in their contribution in sermonizing social issues were witnessed in last decade. In its focus on persuading companies to participate in addressing social and developmental issues, not only as a part of their social responsibility but also their business practices. In order to set an example for the private sector, guidelines regarding expenditure on CSR activities for Central Public Sector Enterprise were issued by Department of Public Enterprises. According to these “Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (CPSE)” revised by Department of Public Enterprises (DPE), Ministry of Heavy Industries And Public Enterprises every year, each CPSE shall with the approval of its Board of Directors make budgetary allocation for CSR and Sustainability activities for the year. With a view to provide a
framework for companies (private and public) to implement need-based CSR activities, the Government of India has included CSR-related provisions in the Companies Bill, 2012.

CSR and Accountability

In this global stakeholder society, accountability is one of the most core challenges for the enterprises. According to Kotler, P. and Lee, N. (2005) Challenges are perhaps the greatest in this very first step, as experience has shown that some social issues are better fit than others, and this first decision has the greatest impact on subsequent programs and outcomes. Those making recommendations will end up juggling competitive priorities and publics.

Dependable leaders are concerned with reconciling and aligning the demands, needs, requirements and values of employees, customers, suppliers, communities, shareholders, non-governmental organizations (NGOs), more importantly environment and society at large. A company’s credential record in terms of CSR accounting will be effective when suitable CSR measures are included in its internal and supply chain activities. Moreover the emerging need for the dissemination of efficient practices in CSR accountability and a need for more pressure to be exerted on NGOs to prove themselves as ethical, transparent to those they seek to influence. CSR undermines accountability by all leaders, individuals, organizations, stakeholders, customers and community members and yet accountability is complex. The factors which influence the effectiveness of corporate accountability are multiple and are strongly interconnected. The relevance of CSR is not only because of the changing policy environment but also because of its ability to meet the meet business objectives. Understanding CSR initiatives and being socially responsible can have host benefits for companies such as:

- Strengthening relationship with stakeholders
- Empowering continuous improvement and encouraging innovation.
- Being socially responsible company helps to attract best industry talent.
- Additional source of motivation to employees.
- Mitigation of risk due to effective corporate governance framework.
- Provides ability to managing stakeholders expectations

Organizational Challenges and Limitations

Numerous challenges and limitations are being faced while implementing CSR policy. They are usually related to either political issues or to organizational – level concerns and are often rooted in culture. The multiplicity of working in global society brings number of new challenges on organizations and their effective leadership

With time the roles and responsibilities of government are being redefined and the boundaries between business and government are decreasing, today the businesses are facing a huge array of challenges. According to Drucker, P.F.(1984) , in most of the discussions of social responsibility, business is seen as the rich man who should, if only for the good of his soul, give alms to the less fortunate. But in the next decade, it will become increasingly important to stress that business can discharge its social responsibility only if it converts them into self-interest, that is, into business opportunities. In the current age of CSR, the requirement of the stakeholders, consumers, employees, national as well international regulators, watchdog, NGOs, and activist group have to be quenched. The major challenges that the organization has to face in implementation of CSR are:-

- The image building of Business
- The Legal aspect and Background of Business
- The Job situation in market
- The corruption Scenario
- The correlates of Economic Stagnation and social decline
- The Association of Socialists
- The CSR rhetoric- including the blurred boundaries of CSR, the under development of the civic society, the economic reality, the ethical standards, and the attempts of self-regulation of business.

CONCLUSION

Nowadays, CSR is being considered as the foremost principal of top managements and of entrepreneurs. The most of the observations in research in this field clearly depict models, leadership competencies, accountability, structure of partnerships as well as organizational challenges, limitations and ethics. It is no longer acceptable for the businesses to experience economic prosperity in isolation from stakeholder including society and people concerned impacted by its actions. Firms must now focus its attention on both increasing its bottom line and being a good corporate citizen. Keeping abreast of global trends and commitment to financial obligations to deliver benefits to people concerned have forced organizations to reshape their frameworks, rules, and business models. The most socially responsible
organizations continue to revise their short and long-term agendas, to stay ahead of rapidly changing challenges in order to understand and enhance their current efforts.

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