



Importance of Corporate Social Responsibilities

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ABSTRACT

In the present scenario the corporate are not judged just on a financial scale but on social scale too. Corporate that stay ahead are not just financially viable but also do take care of the impact of their policies on the society. This impact is reflected in the corporate social Responsibility (CSR) acts. The meaning, concepts and functionality of CSR has changed over the time with the changes in politics, business and society. This paper tries to discuss the various definitions of CSR over time. In the 21st century CSR is directly related to the triple bottom line i.e. People, Planet and Profit. The next section talks about the six major dimensions of CSR i.e. customer, employees, business partner, environment, community and investor. In the last section the benefits of CSR have been discussed taking small case studies and put under three heads. Community as supplier, magnetize and maintain workforce and enhancing corporate reputation.

KEYWORDS : CSR, sustainability, ITC, AMD, Dimensions of CSR, Benefits of CSR.

Introduction

The need of the hour across the globe is to meet the present generation needs while not tampering with the ability of future generations to meet their own needs. Corporations are being looked up to own up the responsibility of their deeds and the way in which they are handling their operations and its impact on the society and the environment. Corporations are expected to demonstrate inclusion of socio – environmental concerns in business operations and in interaction with society.

Times are gone when corporate were judged on the basis of their financial statements. Financial prosperity in isolation from agents impacted by corporate action is no more acceptable. A firm has to pay attention paralleling on upgrading its bottom line and being a wonderful corporate citizen. The vision, mission, framework, policy structure all are to be designed keeping social commitments and global trends in mind. The most socially responsible corporate are only able to stay ahead of their counterparts/ competitors/ co- timers.

In addition, a paradigm shift has occurred in how corporate must present themselves in the eyes of the global stakeholders. The quality of relationship with the stakeholders in today's time largely defines the growth and sustainability of the firm and this is directly proportional to CSR activities. Firms have devised diverse strategies to deal with the intersection of business essentials, natural environment and the societal needs. Organizations can actually be placed on a developmental scale with respect to the extent to which they are blending/ clubbing social responsibility tactics into their strategy and operations worldwide. At one end of the scale are organizations that do not at all acknowledge the social needs. At the other end of the scale are those organizations that plan their operations as to significantly impact the eco-socio-ecological levels, hence resulting in a socially responsible organization beyond the traditional boundaries. Most firms lie in between.

Corporate Social Responsibility (CSR)

The concept of CSR has evolved gradually over the decades. Its meaning, concepts and functionality has changed over the time with the changes in politics, business and society. CSR may be regarded as 'the panacea which will solve the global poverty gap, social exclusion and environmental degradation' (Van Marrewijk 2003).

During the 1950's Peter Drucker was one of the first to explicitly talk about the social responsibility of business including public responsibility as one of the eight key areas for business objectives developed in his 1954 book, *The Practice of Management*. He believed that although the management's sole aim is to earn profits but it is also important that management considers the impact of every business policy on the society. In 1953, Bowen conceptualized CSR as a social obligation- the obligation 'to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society'. (Bowen in Maignan & Ferrell 2004, p4)

The **decade of 1960's** in a way made CSR a formal term for business. Most writers and researchers of this period asserted that socially responsible business decisions would bring back good chances of long run economic gain to the firm. In 1960, Fredrick wrote that 'Social responsibility in the final analysis implies a public postures toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms'. (Fredrick in Carroll 1999, p 271).

During the 1970's The US Committee for Economic Development (CED) 1971 described CSR as being related to products, jobs and economic growth; related to societal expectations; and related to activities aimed at improving the social environment of the firm. In Sethi's 1975 three level model, the concept of corporate social performance is discussed, and distinctions made between various corporate behaviors. Sethi's three tier were 'social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive)'. (Carroll 1999, p.279; Wheeler, Colbert & Freeman 2003, p.10.)

During the 1980's businesses became a little more responsible towards the society. The work of R Edward Freeman was very significant on the emerging Stake holder Theory (Lucas, wollin and Lafferty 2001; Post 2003; Windsor 2001). Freeman saw 'meeting shareholders 'needs as only one element in a value adding process' and identified a range of stakeholders (including shareholders) who were relevant to the firm's operation. (Freeman in Lucas, Wollin & Laffert 2001, p150). Freeman's 1984 paper continues to be identified as an influential paper on stakeholder theory', and stakeholder theory as the 'dominant paradigm' in CSR. (McWilliams & Siegel 2001, p118). In this time the debate on sustainability development gained a lot of impetus. The world conservation strategy was also published. In 1987 the World commission on Environment and development (WCED) published the Brundtland Report, 'Our Common Future' which stated that sustainable development seeks to meet the needs of the present without compromising the ability to meet future aspirations. The report actually linked sustainable development with economic growth.

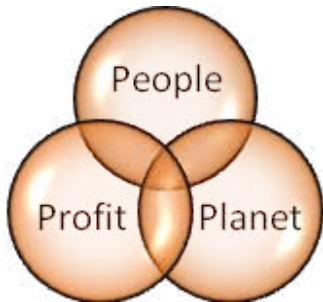
In 1990s Corporate Social Performance (CSP), stakeholder theory, business ethics theory, and corporate citizenship were major themes that gained all the attention, (Carroll 1999, p.288), of course CSR being the basic building block.

Swanson (1995) suggested that there were three main types of motivation for CSR:

- i) The utilitarian perspective (an instrument to help achieve performance objectives);
- ii) The negative duty approach (compulsion to adopt socially responsible initiatives to appease stakeholders); and
- iii) The positive study view (businesses self-motivated regardless of social pressures) (Swanson in Maignan & Ralston 2002).

During this period concepts like environmental management and stakeholder management became very important. It is also worth mentioning that during this period a whole lot of concern and advocacy groups emerged to take care of shareholder and stakeholder concerns. In 1997, Solomon mentioned to the extent that 'now that businesses are often the most powerful institutions in the world, the expanse of social responsibility has enlarged to include areas formerly considered the domain of governments... The more powerful business become in the world, the more responsibility for the well-being of the world it will be expected to bear'. (Solomon in Joyner & Payne 2002,p303).

Triple Bottom Line for Corporate Sustainability



Now in the 21st century, business, academia and research simultaneously talk about CSR and financial implications, CSR and ethics and morality, CSR as a social license, CSR and Sustainability, CSR a key to being a good corporate citizen. CSR a strategy, CSR a policy, CSR an employee retention tool and so on. The concept of CSR has been treated in a very broad perspective unlike the traditional narrow viewpoint. CSR is a win win process to enhance triple bottom line (TBL) benefits. TBL i.e., social environmental/ecological and financial; or 3Ps i.e., People, Planet and Profit; or three pillars of sustainability are the broad frameworks used these days to evaluate the performance of any organization.

The term 'triple bottom line' was introduced by John Elkington in 1995 (Sarre & Treuren 2001) although it did not become so common until the circulation of his 1997 book, Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Traditionally businesses were acknowledged on a single bottom line "profit" or "loss" but now it's the TBL, and CSR is at the centre stage of this TBL. TBL focuses on a whole set of values and processes that organisations have to address to for minimizing any damages resulting from their functioning and also to add social, environmental and economic value. The triple bottom line (TBL) thus scales corporations not just on the economic value they add, but also on the environmental and social value they add—and destroy. At its narrowest, the term 'triple bottom line' is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters.



Six Key Dimensions of CSR:

There are six major heads or dimensions of corporate social responsibility. The details are described below highlighting how management can help to enhance growth and profitability.



Customers

The outcome of the cold war was not so much a victory of capitalism over communism as it was a victory of market based decision mak-

ing over centrally planned economies. In market economies, the factor that makes a business successful or gives an edge over others is to put the customers at the top. The companies that are at the top position are mostly because of their concern of understanding the requirements of their customers and focusing on long-lasting relationship by providing them with superior quality product and giving them good after sales services.

Time demands that companies focus on their total quality management programs so as to have fewer defects which mean less rework, lower wastage and high customer retention. Thus all efforts in making a long lasting good relationship with customers are the key to success.

Employees

The environment in which an employee spend more than half of his day, has significant repercussions on his personality, attitude, way of thinking, life style etc. In order to make these working hours more meaningful, socially responsible businesses are trying to provide employees not only respectable wages and salary, but also a healthy, productive, positive work environment.. Management practices in the organizations include empowerment of middle management and employees, proper flow of information in the organization. As a result of which there is an increase in productivity, improved quality and reliability and much higher level of commitment from employees at all levels.

Business Partners:

In various sectors like consumer electronics and automobiles where the competition is very intense, association with business partners such as suppliers and in some cases competitors can be very useful for cut throat success. The relationship with the supplier needs to be long term as it helps in reducing complexities and costs and helps in maintaining the quality in all respects. The selection of the suppliers should not be just based on competitive bidding. A new division of labor between suppliers and customers is reinventing some industries.

The Environment:

The environmental measurement of corporate social responsibility is basically the impact of business on environment. As a socially responsible organization the objective is to use such practices in business which can benefit the environment. For example, we can choose to use recycled materials in our packaging or add renewable energy sources like solar power to our factory.

Paul Hawken has defined sustainability as "an economic state where the demands placed upon the environment by people and commerce can be met without reducing the capacity of the environment to provide for future generations... Leave the world a little better than you found it, take no more than you need, try not to harm life or the environment, make amends if you do."

Communities

The prosperity and growth of any business is associated with the health, stability and progress of the society and of the community in which it works. The businesses like banks, retailers and newspapers cannot be successful in waning societies. The traditional set up of businesses considers that it is the sole responsibility of the government to take care of education, health, crime, unemployment etc. However it is not so and in today's world more and more business leaders are taking initiative to improve and help the communities in one way or the other.

Investors

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. However, we would note that an increasing number of business leaders and investors recognize broader responsibilities than to those investors who seek the highest instant returns. For example Built to Last - This book is based on research carried out over a six year period by James Collins and Jerry Porras of 17 "visionary companies", those that have prospered throughout a long history and enjoy a wide reputation as leaders in their respective sectors. "Contrary to business school doctrine, we did not find maximizing shareholder wealth' or profit maximization' as the dominant driving force or primary objective through the history of most of the visionary companies.

Benefits of Robust CSR

As we know that in today's environment businesses are getting more complex day by day thus good corporate social responsibility practices can make a change and can bring benefits to the entire organization. The benefits in this paper have been discussed taking small case studies and put under three heads. Community as a supplier, magnetize and maintain workforce and Enhancing Corporate Reputation.

Communities as suppliers: There are several modern Corporate Social Responsibility proposals up and coming, where the companies have endowed in ornamental community livelihood by integrating them into their supply chain. This has profited communities and added to their revenue levels, while offering these companies with an additional and secure supply chain.

ITC's pre-eminent position as one of India's leading corporate in the agricultural sector is based on strong and enduring farmer partnerships that have transformed the rural agricultural sector. An exclusive rural digital infrastructure network combined with deep understanding of agricultural practices and rigorous research, has built a competitive and efficient supply chain that creates and distributes immense value across the agricultural value chain. ITC's sole strength in this business is the extensive backward linkages it has established with the farmers. This association with the farming community has enabled ITC to build a highly cost effective procurement system. . . ITC's trail blazing answer to numerous problems of

India agricultxture is the e- choupal initiative, which delivers real time information and customized knowledge to improve the farmer's decision making ability, thereby better aligning farm output to market demands securing better quality, productivity and improved price discovery.

Magnetize and Maintainworkers: Quite a few human resource studies have linked an organizations capability to create a center of attraction, hold and encourage employees with their CSR commitments. Involvements that promote and facilitate employees to contribute are shown to increase employee morale and a sense of belonging to the company.

CSR in present scenario is a significant part of any organization's long term strategy, not only for branding and promoting and sustaining but also for recruiting the right kind of people. The millennial are the most conscious resource these days not only as consumers but as employees too. They do not just want heavy pay cheques but also a pride in their employer's name. They want their organization to be ethically and socially robust too, apart from being financially sound. A research conducted by Cone Millennial Cause Group, discussed in The 2020 Workplace suggested that 80% of a sample of 1800 13-25 years old wished to work in an organization that worries about the social impact of its functioning. But as so much has been talked about about CSR it is difficult to identify the true trendsetters.

Tim Mohin, director of CSR at AMD says "CSR has become such a common practice; we believe no one is really paying attention anymore." So to stay ahead AMD released apps for iPad and Android, all for the info of the millennial users. Thus CSR proves to be important in attracting a smart workforce. Advanced Micro Devices (AMD) proves to be a fantastic case in this respect.

AMD' "green teams" are groups of like eco minded employees who collectively work on agendas like minimizing waste in cafeteria, save water, plant trees, etc. These employees confessed that such activities increased their commitment levels strongly. AMD also aims to "croudsource" the ideas that will take CSR initiatives to the next level. And AMD believes that who can understand the organizations perspective on CSR agenda better than its own employees.

Enhancing Corporate Reputation: The traditional benefit of generating goodwill, creating a positive image and branding benefits continue to exist for companies that operate effective CSR programs. This allows companies to position themselves as responsible corporate citizen.

ITC started as Indian Tobacco Company in 1970, which was not actually a very socially accepted business. Gradually, ITC entered into hotel industry and invested in properties and invested in premium end of the market. In 1979 ITC promoted Badrachalam Paperboards – a core sector, ecology conscious enterprise in a backward area, as ITC backward integration strategy. Later on ITC started its green journey with farm forestry benefitting poor tribal area in 1998 which was followed by social developments initiatives with water shades and agricultural development, live stock productivity and women economic empowerment, primary education health and sanitation. Lately ITC expanded its FMCG portfolio to include items of daily consumption relevant to rural markets. The Company also forayed into the branded Packaged Food Business. ITC has around 60% of revenue from their non Cigarette segments.

Conclusion

Corporate Social Responsibility is a set of internal and external activities of a business that directly or indirectly impact the stake holders. CSR practices are shaped by the strategy of business to develop a positive impact to the People, Planet and Profit. CSR initiatives do not just involve spending to be known in the society but it involves thoughtful and fruitful investment. This thoughtful investment helps the business to retain profits, consumers, suppliers, employees, sustainability and what not. We believe that CSR best practices lead to a wholesome act of benefits to all stakeholders.

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