



Corporate Social Responsibility for Better Governance

KEYWORDS

Corporate Social Responsibility, Corporate Governance, Stakeholders

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ABSTRACT *There is today a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximizing short-term profits, but instead through market-oriented yet another responsible behaviour. Companies are aware that they can contribute to sustainable development by managing their operations in such a way to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interest. To have a better Corporate Governance, a company has to fulfil its social responsibilities which may lead to customer satisfaction, better employer-employee relations, maximise shareholder's value, a satisfied community and a better environment. Therefore, it is imperative that corporates realign their priorities on par with societal needs and are expected to be more ethical and responsible*

Introduction

A society cannot function without a set of values. Society is undergoing social change. Ethical considerations decide whether the business is on par with the society's needs. There is today a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximizing short-term profits, but instead through market-oriented yet responsible behaviour. Companies are aware that they can contribute to sustainable development by managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interest.

Corporate Social Responsibility (CSR) is about how companies manage the business processes to produce an overall positive impact on society. For this, companies need to answer two aspects of their operations: (1) The quality of their management in terms of both people and processes and (2) The nature and quantity of their impact on society in various areas.

Corporate Social Responsibility refers to the obligations of businessmen 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. Thus, CSR may be defined as the obligation of companies to protect and enhance the norms and values held by the society within which it operates. The World Business Council for sustainable development in its publication, "Making Good Business Sense" by Lord Home and Richard Watts, says: "CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the community and society at large.

"Corporate social responsibility is operating a business in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from the business." A society cannot function without a set of values. Society is undergoing social change. The business system is a product of customs and beliefs of the society in which it exists. Ethical considerations decide whether the business is on par with the society's needs. A corporate is formed of one body with many individuals. In today's world, when recession dogs business and survival itself is at stake, corporates cannot afford to think of anything else but their products, customers, and stakeholders. Therefore, it is imperative that they realign their priorities on par with societal needs. Accordingly, they are expected to be more ethical and responsible.

The corporate scams and failures worldwide increased the demand for corporate social responsibility on a global scale.

The abuses at Enron, Tyco, Global Crossing, Adelphia and World.Com in the US and more recently, collapse of Satyam in India, have severely impacted investors and other stakeholders confidence in the integrity of those charged with the supervision and management of large companies. The widespread corruption and lack of transparency and accountability also led to the emergence of corporate social responsibility.

The two pivotal features of CSR are as follows:

- An action must be voluntary to qualify as a socially responsible action i.e, it should be carried out voluntarily without any government coercion. Any activity or program adopted under legal compulsion (like health, safety and welfare measures for factory workers as per the Factories Act, 1948) should not be considered as social programs. The company is expected to do a social activity over and above any legal enforcement in order to improve its social image. Such social activities could be helping the government in eradicating illiteracy, poverty, drug abuse, child labour and other social ill-wills or enriching our environment by planting more trees etc.
- There should be emphasis on means rather than ends i.e., a company should incorporate in to its decision-making process the means by which social concerns will be given full consideration. A company must conduct its affairs in such a way so as to maintain an equitable balance among all the various groups of society. It has to work under the pressure of the shareholders who are its real owners, employees who provide the purchasing power and the government which provides law and order and all basic infrastructure.

In India, only a few large corporations are fulfilling their social responsibilities effectively like Tatas, Birlas, Dalmias, Reliance, Infosys, Wipro etc. Public demand for greater CSR has increased. A better educated, more aware and critical public has begun to question the value of ever increasing production which results in pollution and environmental decay. The growing global need has made corporates face challenges to accept and adopt the concept of social responsibility for a better tomorrow. It is high time that the corporate sector should come forward to shoulder its social responsibilities.

CSR is not only the responsibility of the corporates but we as stakeholders should take an oath not to invest or deal with such companies which are highly irresponsible towards social welfare. The concept of ethical funds is gaining importance whereby one should refrain from investing in a company which is engaged in providing tobacco, liquor, weapons, etc, or is polluting our environment.

Corporate Governance

Corporate Governance is a process or set of systems and processes to ensure that a company is managed to suit the best interests of all those who are interested in the well-being of the company. Governance is an act of function or control and a system by which companies are directed and controlled. It aims at maintaining equilibrium between social change and business. Good corporate governance is a shared responsibility. It forms part of a broader international effort to promote increased transparency, integrity and the rule of law. It helps assure that corporations not only use their capital efficiently but also take in to account the interests of a wide range of constituencies as well as communities within which they operate.

Corporate Governance is the mechanisms by which the values, principles, policies and procedures of a corporation are inculcated and manifested. The essence of Corporate Governance lies in promoting and maintaining integrity, transparency and accountability in the higher echelons of management. Corporate governance is a system by which companies are directed and controlled and thus brought into sharp focus the role of board, shareholders and management. Corporate governance today is a strategic necessity where focus is on quality of governance. Corporate Governance practices have emerged as an integral element for doing business. It is not only a pre-requisite for facing intense competition for sustainable growth in the emerging global market scenario but is also an embodiment of the parameters of fairness, accountability, disclosures and transparency to maximize value for the stakeholders.

Corporate Governance brings about an equilibrium between the expectations of the owners, employees, customers and all other stakeholders. It builds continuing bonds with shareholders, employees, investors, depositors, borrowers, suppliers, customers and business constituents. Corporate Governance extends beyond corporate law. Its fundamental objective is

not mere fulfillment of the requirements of law but in ensuring commitment of the Board in managing the company in a transparent manner for maximizing stakeholder value.

Corporate Governance attempts to put in place a system of checks and balances between the shareholders, directors, creditors, management and the society. It seeks accountability and transparency in the corporate sector. It refers to set of rules that are designed to govern the behaviour of corporate enterprises. Corporate Governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and its action benefit the greatest number of stakeholders. Good corporate governance makes the Board accountable to the shareholders. It helps to maintain the confidence of the investors. Governing corporates in an effective manner should ultimately result in a healthy bottom line on consistent basis for all the stakeholders. The social approval to the existence of a corporate entity as a responsible citizen arises from the public confidence and public confidence can be raised and maintained only with better corporate governance. The fulfilment of Corporate Social Responsibility is a great managerial skill required for better corporate governance. The key to better corporate governance lies in maximising value for the stakeholders, customers, employees, general public and the government at large.

Conclusion

Corporate Governance is important to business and its development. Corporate Governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and its action benefit the greatest number of stakeholders. To have a better Corporate Governance, a company has to fulfil its social responsibilities which may lead to customer satisfaction, better employer-employee relations, maximise shareholder's value, a satisfied community and a better environment. Therefore, it is imperative that corporates realign their priorities on par with societal needs and are expected to be more ethical and responsible.

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