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Corporate Social Responsbility : A Success Factor for Triumphant Business

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ABSTRACT

This paper discusses the conceptual framework of corporate social responsibility and its relevance in the modern society with its due importance. Some important points are portrayed as to measure why this corporate social responsibility had become present need of the hour.

INTRODUCTION

By the 1990s, building a reputation for corporate social responsibility (CSR) became a top priority for nearly all of the world's largest companies, especially major transnational corporations based in North America or Western Europe whose main business involved the delivery of consumer products or services. CSR, a notion that can be traced back to the 1940s and 1950s, requires business organisations to encompass "the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organisations at a given point in time" (Buchholtz & Carroll, 2008). Carroll (1991), perhaps the most widely cited authority in the field, divides CSR into four segments. First, a business must consistently and successfully pursue maximum profitability as an economic responsibility. Second, a business must always be aware of and comply with all laws and regulations—at every level in the communities where it operates—related to its delivery of products or services in order to meet its legal responsibilities. Third, a business must go beyond legal or regulatory mandates and operate in a way that respects the concerns and values of society at large—and be prepared to adjust to new values and concerns in order to meet its ethical responsibilities. Fourth, a business must support—in the way it deems most effective—educational, religious, artistic, medical, social welfare, or other charitable endeavors in order to meet its philanthropic responsibilities. Now a days, a key ingredient to engage the private sector in the country's development debate is the practice of Corporate Social Responsibility (CSR). Corporate Social Responsibility can be defined as a commitment to improve the community's well-being through discretionary business practices and contributions of company resources (Kotler & Lee, 2008). Corporate Social Responsibility has been gaining momentum and private sector engagement is at the helm. Amidst the challenge of developing a mutual beneficial relationship between the local community and private sector entities, there is a need for greater Government involvement. The conventional approach to corporate social responsibility used to be simply "Fulfilling an Obligation". This traditional approach versus the new strategic approach to corporate philanthropy seeks to balance contribution with the concept of the greater good. In order to sustain and strengthen such innate corporate social responsibility there must be a strong involvement in the relationship.

CONCEPTUAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY

"Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation." Working definition, ISO 26000 Working Group on Social Responsibility, Sydney, February 2007.

Corporate social responsibility (CSR) is also known by a number of other names. These include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and "triple bottom line," etc. As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as "responsible competitiveness" or "corporate sustainability." A key point to note is that CSR is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society. As issues of sustainable development become more important, the question of how the business sector addresses them is also becoming an element of CSR. The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of compliance with legislation and regulations, CSR typically includes "beyond law" commitments and activities pertaining to:

- corporate governance and ethics;
- health and safety;
- environmental stewardship;
- human rights;
- sustainable development;
- working conditions;
- industrial relations;
- respect for diverse cultures and disadvantaged peoples;
- corporate philanthropy and employee volunteering;
- customer satisfaction and adherence to principles of fair competition;
- anti-bribery and anti-corruption measures;
- accountability, transparency and performance reporting; and
- supplier relations, for both domestic and international supply chains.

CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society. These elements of CSR are frequently interconnected and interdependent, and apply to firms wherever they operate in the world. It is also important to bear in mind that there are two separate drivers for CSR. One relates to public policy. Because the impacts of the business sector are so large, and with a potential to be either positive or negative, it is natural that governments and wider society take a close interest in what business does. This means that the expectations on businesses are rising; governments will be looking for ways to increase the positive contribution of business. The second driver is the business driver. Here, CSR considerations can be seen as both costs and benefits. Since businesses play a pivotal role both in job and wealth creation in society and in the efficient use of natural capital, CSR is a central management concern. It positions companies to both proactively manage risks and take advantage of opportunities, especially with respect to their corporate reputation and the broad engagement of stakeholders. The latter can include shareholders, employees, customers, communities, suppliers, governments, non-governmental organisations, international organisations and others affected by a company's activities. Above all, CSR is about sensitivity to context—both societal and environmental—and related

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performance. It is about moving beyond declared intentions to effective and observable actions and measurable societal impacts. Performance reporting is all part of of transparent, accountable—and, hence, credible—corporate behaviour. There is considerable potential for problems if stakeholders perceive that a firm is engaging in a public relations exercise and cannot demonstrate concrete actions that lead to real social and environmental benefits.

IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

CSR can't be ignored in the present era as it had become a precondition for business penetration and customer satisfaction. CSR is also an entry point for understanding sustainable development issues and responding to them in a firm's business strategy. Paul Hohnen, (2007) emphasised that CSR is important due to following reasons:

- **Globalization:** Globalization is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things. CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export-oriented firms in emerging economies.
- **Governance:** Governments bodies, such as the UN, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct. CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.
- **Corporate sector impact:** The absolute size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability. Even small and medium size enterprises (SMEs), which collectively represent the largest single employer, have a significant impact.
- **Communications:** Advances in communications technology, such as the Internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess and profile business practices they view as either tricky or exemplary. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.
- **Finance:** Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.
- **Ethics:** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards.
- **Consistency and Community:** In the CSR context, firms can help build a sense of community and shared approach to common problems.
- **Leadership:** At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. CSR can offer the flexibility and incentive for firms to act in advance of regulations, or in areas where regulations seem unlikely.
- **Business Tool:** Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency.

CONCLUSION

There is a growing public demand for information regarding corporate responsibility actions. Various stakeholders are monitoring companies' operations and actions related to their immediate neighbours and to the global society. Yet companies have business to run and owners and investors to satisfy. Diverse expectations create tensions between ethical and economic interests. On one hand, it can be argued that economic criteria form the basis for business decision making, and to be a good corporate citizen, a company must be profitable and bring society economic prosperity. On the other, it can be argued that business must be moderated by ethical considerations and take into account the various demands, expectations, needs, and requests of its constituencies and society at large (O'Neil & Pienta, 1994). These two views are grounded in historically contradictory, not to say conflicting, values, and this duality contributes to the ideological tensions that are intrinsic to corporate responsibility and to the business-society relationship.

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