

Corporate Social Responsibility



Sociology

KEYWORDS :

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ABSTRACT

Over the past decades a growing number of companies, globally have recognized the business benefits of Corporate Social Responsibility (CSR) policies and practices. Their experiences are bolstered by a growing body of empirical studies, which demonstrate that CSR has a positive impact on business economic performance, and is not harmful to shareholder value.

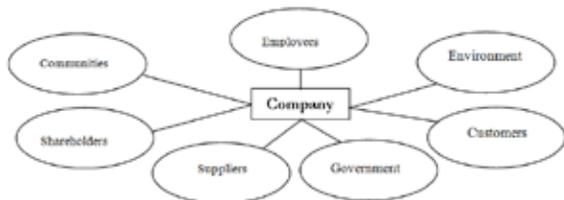
Companies also have been encouraged to adopt or expand CSR efforts as the result of pressures from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders. As a result, CSR has grown dramatically in recent years, with companies of all sizes and sectors developing innovative strategies.

The term Corporate Social Responsibility (CSR) is not new in the Indian context too. A Few companies have incorporated it in their core values; a lot of them practice it in some form or the other. All the leading industrial associations have included it in their agendas. A survey of about 600 companies in India commissioned by Partners In Change and published in the year 2000 has revealed that more than 85% of the industries surveyed agreed that companies must be socially responsible.

What is CSR

CSR refers to business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment. CSR is seen by leadership companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management.

CSR practice is being influenced by two major concepts. One is the stake holder model wherein it is recognised that good business practice entails engaging all it's stakeholders in the company's business. So good business is not only seen as maximising, shareholder but stakeholder value.



The other interesting concept is the triple bottom line. It is agreed that companies will no longer be judged on the conventional single i.e. financial bottom line but also on their performance in the social and environmental bottom line.

Defining CSR

There is no one universally acceptable definition of CSR. However there is a universal consensus is that it is about:

- Company's operating in a manner that positively impact all it's stakeholders.
- Exceeding legal requirements
- Not just what companies do with their profits but also about how profits are made.

In India, different companies view CSR differently. To some it means donating money to charity and to others it may mean building temples, schools, colleges etc. The important thread linking all these activities is that of Industries doing social good and is based on a model of philanthropy.

Philanthropy is one of India's greatest tradition, which used to be practiced by the kings and nobility, which was later taken over business houses. It is mostly characterised by the cause

supported and the monetary resources put aside for it, and is always owner driven. It is therefore more ad hoc in nature. Broadly speaking, good citizenship is understood by companies in India as either complying with the law or as a set of words to describe philanthropy.

The CSR agenda in India needs to evolve beyond Philanthropy not because philanthropy is not relevant or because we need to ape the west but simply because the drivers of western CSR practices will become equally relevant in India given the fast pace of globalisation.

Globally the growth of corporate social responsibility as an issue in modern society has been driven by a wide range of events and trends. The trends outlined below are receiving increased coverage by the world media and on the Internet.

Changing Expectations of Stakeholders Regarding Business: The public and various stakeholders have come to expect more of business, according to several studies. Increasingly, they are looking to the private sector to help with myriad complex and pressing social and economic issues. There is a growing ability and sophistication of activist groups to target corporations they perceive as not being socially responsible, through actions such as public demonstrations, shareholder resolutions, and even "denial of service" attacks on company websites. These efforts emphasize the issue of accountability to stakeholders when doing business.

Shrinking Role of Government: In many countries, national and local governments have taken a more hands-off approach to regulating business, due to the globalization of commerce and shrinking resources. As a result, companies – and multinational companies in particular – are relying less on government for guidance, instead adopting their own policies to govern such matters as environmental performance, working conditions and ethical marketing practices.

Increased Customer Interest: The growing interest in CSR comes both from business-to-business customers as well as consumers. In the former, there is a significant move by many companies, governments, universities and other institutions to align their purchasing decisions with social criteria, particularly those related to companies' environmental and human rights performance. In the latter, numerous studies correlate consumer purchasing preferences with ethical and socially responsible business conduct, though it is unclear the extent to which these sentiments translate into actual changes in purchasing patterns. A study by Environics. The Conference Board, and the Price of Wales Business Leadership Forum in 1999 did find that surveyed 25,000 citizens in 23 countries regarding corporate social responsibility. It revealed that 17% of 25,000 survey re-

spondents reported that they had actually avoided the products of companies they perceived as not being socially responsible. There are a growing number of organizations that help consumers and business with their purchasing decisions by rating companies and products or publishing lists of products to seek out or avoid based on social criteria, such as a company's environmental performance, labour practices or community-involvement record.

Supply Chain Responsibility: As stakeholders take a growing interest in companies' corporate social responsibility, many companies are finding that they are responsible not only for their own CSR performance, but for that of the companies "upstream" and "downstream" – that is, a company's suppliers as well as its customers and even its customers' customers. The result is that some companies are imposing codes of conduct on both their suppliers and customers to ensure that other companies' policies or practices do not reflect unfavourably on them. This has a cascading effect along the entire supply chain, encouraging suppliers to adopt socially responsible business practices.

Growing Investor Pressure: The growth of socially responsible investing has accelerated in recent years, with investor groups increasingly pressuring companies on social issues. According to the Social Investment Forum, since 1997, total assets under management in screened portfolios for socially concerned investors rose 183 percent, from \$529 billion to \$1,497 billion in 1999. During that same period, assets in socially screened mutual funds grew by 60 percent to \$154 billion, and assets in screened separate accounts grew 210 percent to \$1,343 billion. Many of these investors are using the shareholder resolution process to pressure companies to change policies and increase disclosure on a wide range of CSR issues, including environmental responsibility, workplace policies, community involvement, human rights practices, ethical decision-making and corporate governance. Activist groups are also buying shares in targeted companies to give them access to annual meetings and the shareholder resolution process.

More Competitive Labour Markets: In a tight labour market, many workers – especially professional, technical or highly skilled employees – are looking beyond paychecks and benefits to seek employers whose philosophies and operating practices align with their own beliefs. For example, some companies have found that having "family-friendly" policies or being identified as an employer of choice have given them a competitive advantage in attracting and retaining employees.

Demands for Increased Disclosure: Customers, investors, regulators, community groups, environmental activists, trading partners and others are asking companies for more and more detailed information about their social performance. In response, leadership companies are responding with a variety of reports and/or social audits that describe and disclose their social performance on one or several fronts. As part of this more toward greater disclosure, many companies are putting increasingly detailed information about their social and environmental performance – even when it may be negative – onto their publicly accessible websites.

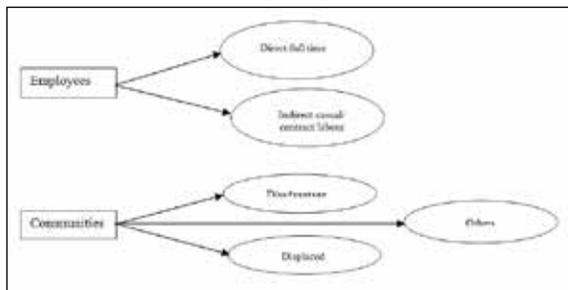
Adapting Global Framework in the Indian content

The global framework and standards of CSR will need some fine-tuning to make them applicable to the Indian context. The reason is that each stakeholder group in India is so heterogeneous that they cannot equally access the benefit that a company's CSR activities provide.

e.g. Amongst employees the Unionised and organised workmen have access to the collective bargaining process whereas the casual and contract labour do not.

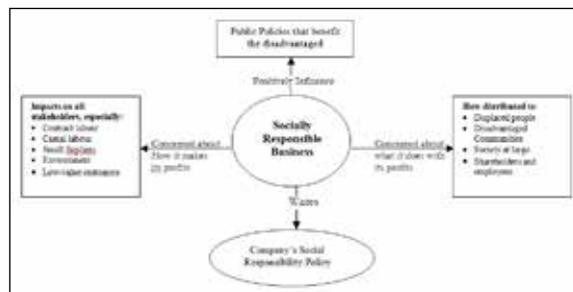
Amongst communities too some sections of the community are more disadvantaged than the others like women, tribals, girl children etc.

Thus it is very important for companies to unpack these stakeholders on the basis of their relative marginalisation and direct their CSR efforts accordingly.



A Socially Responsible Business

A socially responsible business is concerned about its impact on all its stakeholders and addressing these with specific policies and process.



Evolving a Socially Responsible Business

Each company differs in how it implements corporate social responsibility. The differences depend on such factors as the company's size, sector culture and the commitment of its leadership. Some companies focus on a single area – the environment, for example, or community development – while others aim to integrate a CSR vision into all aspects of their operations. Below are some key strategies companies use when implementing CSR policies and practices.

Mission, Vision and Values Statements: If CSR is to be regarded as an integral part of bureaucratic, it merits a prominent place in a company's core mission, vision and values document. These are simple but important statements that succinctly state a company's goals and aspirations, also provide insight into a company's values, culture and strategies for achieving its aims. The mission or vision of a socially responsible business frequently references a purpose beyond "making a provision" "being the best," and specifies that it will engage in ethical business practices, and seek to create for a variety of stakeholders, including shareholders/owners, employees, customers, communities and the natural environment.

Cultural Values: Many companies now understand that corporate social responsibility cannot flourish in an environment where innovation and independent thinking are not welcome. In a similar vein, there must also be a commitment to close the gap between what the company says it stands for and the reality of its actual performance. Goals and aspirations should be ambitious, but care should be exercised so the company says what it means and means what it says.

Corporate Governance: Many companies have established ethics and/or social responsibility committees of their boards to review strategic plans, assess progress and offer guidance about emerging issues of importance. Some boards that do not have these committees have the full board consider issues of corporate social responsibility. In addition to having committees and boards, some companies have adopted guidelines governing their own policies and practices around such issues as board diversity, terms, and compensation.

Executive Management Responsibility: Some companies

have a senior officer with CSR as a responsibility. The participation of this individual in critical company decisions ensures that CSR considerations are taken into account. In other cases, senior managers collectively consider the interests of key stakeholders before important decisions are made.

Strategic Planning: A number of companies are beginning to incorporate CSR into their long-term planning processes, identifying specific goals and measures of progress or requiring CSR impact statements for any major company proposals.

General Accountability: In some companies, in addition to the efforts to establish corporate and divisional social responsibility goals, there are similar attempts to address these issues in the job descriptions and performance objectives of as many managers and employees as possible – for example, by incorporo-

rating diversity goals in managers' hiring practices. This helps everyone understand how each person can contribute to the company's overall efforts to be more socially responsible.

Communications, Education and Training: Many companies now recognize that employees cannot be held accountable for responsible behaviour if they are not aware of its importance and provided with the information and tools they need to act appropriately in carrying out their job requirements. These companies publicize the importance of corporate social responsibility internally, include it as a subject in management training programs, and provide managers and employees with decision-making processes that help them achieve responsible outcome. Many companies are using innovative web-based training technologies to educate and train their workforce and suppliers.

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